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v.
Marie Snyder and Tee Snyder, Jr., etc.

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Court: United States Court of Appeals
for the Second Circuit

Counsel for petitioners: Frankel, Marvin E.

Counsel for respondents: Tyler Jr., Harold R.

Entry	Date	Note	Proceedings and Orders
1	Jan 13 1984	G	Petition for writ of certiorari filed.
2	Jan 18 1984		Petitioner's letter noting compliance with Rule 28.1 filed.
3	Feb 13 1984		Brief of respondents Marie Snyder, et al. in opposition filed.
4	Feb 15 1984		DISTRIBUTED. March 2, 1984
5	Feb 15 1984		Reply brief of petitioner Mills Music, Inc. filed.
7	Mar 9 1984		REDISTRIBUTED. March 16, 1984
9	Mar 19 1984		REDISTRIBUTED. March 23, 1984
10	Mar 26 1984		Petition GRANTED.
12	Apr 5 1984		Order extending time to file brief of petitioner on the merits until June 11, 1984.
14	Apr 5 1984		Order extending time to file brief of respondent on the merits until July 16, 1984.
15	Jun 11 1984		Joint appendix filed.
16	Jun 11 1984		Brief of petitioner Mills Music, Inc. filed.
17	Jun 29 1984		Record filed.
18	Jun 29 1984		Certified copy of original record S. C. A. proceedings received.
19	Jul 16 1984		Brief of respondents Marie Snyder, et al. filed.
20	Aug 8 1984		CIRCULATED.
21	Aug 10 1984		SET FOR ARGUMENT. Tuesday, October 9, 1984. (2nd case)
22	Sep 11 1984	X	Reply brief of petitioner Mills Music, Inc. filed.
23	Oct 9 1984		ARGUED.

PETITION FOR WRIT OF CERTIORARI

83-1153

No. ____

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

MILLS MUSIC, INC.,

Petitioner,

—vs.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

MARVIN E. FRANKEL
(Counsel of Record)

MICHAEL S. OBERMAN
STEVEN E. GREENBAUM

KRAMER, LEVIN, NESSEN, KAMIN
& FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100

Attorneys for Petitioner,
Mills Music, Inc.

January 1984

QUESTION PRESENTED

This case "presents a novel question of considerable importance concerning the meaning and application of the 'derivative works exception' [the "Exception"] to the termination-of-transfers provision of the Copyright Act of 1976, 17 U.S.C. § 304(c)(6) (1977)." (Ct. App. Opinion, App. A, *infra*, 2a)

The heirs of the composer of a song, acting pursuant to § 304(c) of the Act, terminated a standard form of grant to a music publishing company of all rights in the copyright of a song for the extended 19-year renewal term. The grantee-publisher, under the terms of the grant before its termination, had licensed various record companies to make sound recordings of the song, a type of "derivative work." As the grant from the composer to the publisher provided, these licenses called for royalties from the record companies to be shared equally by the publisher and the composer (or, later, his heirs). The question is:

> Whether a grantee-music publisher, having licensed the making of sound recordings "under authority of the grant before its termination," is entitled to continue to receive the agreed share of royalties arising from utilization of these pre-termination derivative works "under the terms of the grant after its termination," within the meaning of these words in the Exception.

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MILLS MUSIC, INC.,

Petitioner,

—vs.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Petitioner, Mills Music, Inc. ("Mills"), respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Second Circuit entered on October 18, 1983.

OPINIONS BELOW

The opinion of the court of appeals (App. A, *infra*, 1a-24a) is reported at 720 F.2d 733. The opinion of the district court (App. B, *infra*, 25a-72a) is reported at 543 F. Supp. 844.

JURISDICTION

The judgment of the court of appeals was entered on October 18, 1983. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTE INVOLVED

Pertinent provisions of the Copyright Act of 1976, 17 U.S.C. § 304 (the "Act"), are reproduced in Appendix C, *infra*, 73a-78a.

STATEMENT OF THE CASE

1. The statutory setting

The undisputed facts and the rulings below are best understood against a brief initial outline of their setting in the Act.

As part of the major revision of the copyright law enacted in 1976, Congress fundamentally redefined the term of copyrights. It abolished the prior system of two successive terms of 28 years and in its place provided that new copyrights after the Act's January 1, 1978 effective date would generally extend for the life of an author plus 50 years. 17 U.S.C. § 302(a). Copyrights already in existence and in their renewal term on the Act's effective date were extended by adding 19 years to the 28-year renewal term. 17 U.S.C. § 304(b).

The new Act further provides that where an author grants one or more of his statutory rights to another—or, in the case of extended term copyrights, had previously made such a grant—the author (or his heirs), under specified procedures and subject to specific limitations, may terminate the grant. Specifically, grants of copyrights to others made after the Act's effective date may be terminated by the author or his representative after 35 years, 17 U.S.C. § 203(a)(3), while pre-1978 grants may be terminated after the end of the 28-year renewal term. 17 U.S.C. § 304(c).

This newly established right of termination is subject, however, to the Exception at issue here. 17 U.S.C. §§ 203(b)(1), 304(c)(6)(A). A derivative work—such as a sound recording, motion picture or other creation based at least in part upon a pre-existing copyrighted work and pursuant to a grant from the owner of that copyright—may "continue to be utilized under the terms of the grant after its termination . . . ." 17 U.S.C. § 304(c)(6)(A).

2. The license from Snyder to Mills and the provision for shared mechanical royalties

Ted Snyder, the late husband of respondent Marie Snyder and father of respondent Ted Snyder, Jr., was co-author of, and one-third owner of the copyright in, the popular song "Who's Sorry Now" (203a).[1] The copyright was originally registered in 1923 (*id.*). In 1940, Snyder assigned all of his rights in the renewal term of the copyright, which would commence in 1950, to Mills, which had by then acquired all rights in the initial term (59a). Under the authority of that grant, Mills over the years licensed various record companies to create "sound recordings" of "Who's Sorry Now" and to make and distribute copies of these sound recordings in the form of "phonorecords."[2] Each licensee agreed to pay a stated royalty for each phonorecord it made and sold. During the period 1951 through 1980, the renewal term of the song's copyright, Mills issued 419 licenses to record companies for the

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1 This and similar references are to the Joint Appendix in the court of appeals.

2 Sound recordings are "derivative works" under the Copyright Act of 1976, 17 U.S.C. § 101, as they were under the prior law. "As defined in section 101, copyrightable 'sound recordings' are original works of authorship comprising an aggregate of musical, spoken, or other sounds that have been fixed in tangible form. The copyrightable work comprises the aggregation of sounds and not the tangible medium of fixation. Thus, 'sound recordings' as copyrightable subject matter are distinguished from 'phonorecords,' the latter being physical objects in which sounds are fixed." S. Rep. No. 473, 94th Cong., 1st Sess. 53 (1975); H.R. Rep. No. 1476, 94th Cong., 2d Sess. 55-56 (1976), 1976 U.S. Code Cong. & Ad. News at 5669.

purpose in each instance of using the song in a single release or re-release of a sound recording (61a).

Following the virtually uniform practice of songwriters and music publishers (203a), Snyder's grant to Mills provided that songwriter and publisher would share equally the royalties from the licensed record companies (76a). Mills paid Snyder a small cash advance, but its share of the royalties was mainly in consideration for the publisher's continued promotional efforts upon which songwriters rely in agreeing to the industry's standard 50-50 division (230a-245a). For the period between July 1971 through June 1980, Mills's licensees paid $142,633.53 in royalties, shared equally by the publisher and the composers (61a-62a).

3. Termination of the grant by the Snyders

Following his death, Ted Snyder's one-third interest in the copyright, and then the new right of termination, descended to his wife and son, the respondents. Pursuant to § 304(c) of the Act, the Snyders exercised the right to terminate the grant to Mills. Their notice of termination to Mills adhered to all of the technical formalities of the Act (62a, 147a-158a, 161a).[3]

Accurately addressing Mills as "Grantee," the notice of termination included "[a] brief statement reasonably identifying the Grant to which the Notice . . . applies" (157a). Under that description, the notice said (*id.*): "Grant or transfer of copyright and the rights of copyright proprietor, including publication and recording rights." The notice was signed for those "entitled to terminate the Grant." These concluding portions corresponded to the initial portion of the notice, which listed Mills (by its parent) as the sole "Grantee . . . whose rights [were] being terminated" (147a). No other person

[3] The co-authors of the Song had also assigned their interests in the renewal term to Mills, but they (or their heirs) had not terminated their grants to Mills prior to commencement of this action. The existence of co-authors who had not given notice of termination does not affect the issues before this Court.

or firm was named as possessor of the grant; no notice was sent to any record company licensed by Mills to make sound recordings.

4. The Snyders claim all royalties; Mills claims a continued right to share

Under the Exception, a "derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination." 17 U.S.C. § 304(c)(6)(A). It is not disputed that the recording licenses here in question were properly given by Mills under the authority of the 1940 grant from Snyder to Mills before its termination (75a-76a). It is also undisputed that the 1940 grant from Snyder to Mills provided for Mills to pay Snyder 50%, and retain the other 50%, "of all net royalties" received from recording companies under the recording licenses which Mills, as assignee, had the right to confer (76a).

Relying upon these undisputed propositions, Mills has taken the position that any sound recording it licensed before termination was, within the meaning of the statute, "[a] derivative work prepared under authority of the grant before its termination [which] may continue to be utilized under the terms of the grant after its termination." Accordingly, Mills has argued, it is entitled with respect to such sound recordings to have them "utilized under the terms of the grant" from Snyder to itself, namely, with net royalties to be shared 50% each. The district court sustained this position. (As to derivative works prepared "after . . . termination," often labeled "new derivative works" in this case, Mills concedes that the Snyders alone may authorize such works and receive all royalties from them.)

The Snyders have argued—and the court below agreed—that the Exception does not apply to publishers, but only benefits the record companies who "utilize" the sound recordings. Explaining the Exception's requirement that such utilization be "under the terms of the grant after its termination"—where the only grant terminated by them was the one from Snyder to

Mills—the Snyders have identified the "grant" whose terms control utilization of derivative works as the licenses from Mills to the record companies. Thus, they say the word "grant" in the Exception has two meanings—referring first to the grant from Snyder to Mills, then to the grant from Mills to the record companies. On this basis, they say, they step into the shoes of Mills with respect to the latter's 50% while retaining the 50% to which they have been concededly entitled all along under Ted Snyder's grant to Mills.

From this dispute, with major implications well beyond Mills and the Snyders, this lawsuit arose.[4]

5. The decision of the district court

The district court (Weinfeld, J.) concluded that the Snyders' position "requires a tortured reading" (App. B 42a) of the Exception and could not be accepted.[5] To construe the Exception, that court said, "the starting point is, of course, the statutory language" (*id.* at 39a). Addressing that language, the

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4 Reflecting widespread industry practice, the Harry Fox Agency, Inc. ("Fox"), the interpleading plaintiff in the district court, handled for Mills the mechanics of issuing recording licenses and collecting and paying over royalties (205a; *see generally* W. Blaisdell, The Economic Aspects of the Compulsory License, 86th Cong., 1st Sess., Copyright Law Pension Study No. 6, 93-94 (Comm. Print 1960)). Confronted with the controversy between the Snyders and Mills, Fox interpleaded them, paid a disputed sum into court, and sought the declaration of rights given below (5a-53a).

5 Judge Weinfeld first disposed of a major argument the Snyders advanced before him, which was largely abandoned and not reached in the court of appeals (App. A 23a)—that the licenses Mills had given (75a-76a) were only "compulsory licenses" under the 1909 Act; that, therefore, the sound recordings had not been made "under authority of the grant"; and, accordingly, that the Exception does not apply at all. The record companies, Judge Weinfeld noted, had never complied with the requirements for a compulsory license, but instead had sought and obtained licenses from Mills, which modified in a number of respects the conditions required for a statutory license (App. B 35a). These modifications, the district court observed, were given, and could only have been given, by Mills under the authority of the grant from Snyder to Mills (*id.* at 36a).

court said with respect to the "old" (*i.e.*, pre-termination) derivative works in question, "it would follow under the clear language of the Exception, such sound recordings 'may continue to be utilized under the terms of the grant after its termination' and, under the express terms of the Snyder Grant, Mills is entitled to continue to share equally with the Snyders all royalties from phonorecords made from those sound recordings" (*id.* at 40a).

Addressing the Snyders' emphasis on the word "utilized," and their conclusion that only the record companies, and not the publishers, are "utilizers" embraced by the Exception (*id.* at 41a), Judge Weinfeld found that to accept this conclusion "the Court would be required to rewrite the grant so as to disregard all the references to Mills and instead substitute in their place the author or his statutory successors" (*id.* at 42a). In support of his finding that the only grant the Snyders terminated was from Snyder to Mills, the district court noted that "there is no grant directly between the author and the record companies" (*id.*). The only "terms" of the only "grant" in this case, he held, are those from Snyder to Mills, so that continuation "under the terms of the grant" could refer only to that relationship and its provisions (*id.*).

Having found that the only acceptable reading of the statutory language favored Mills, the district court proceeded nevertheless to consider the legislative and pre-legislative history of the Act, upon which the Snyders placed heavy reliance. The court concluded, upon its "careful review of thousands of pages of Congressional committee prints, hearings, and reports, and floor debates," that "the legislative history of the derivative works exception is ambiguous and does not support [the Snyders'] claim" (*id.* at 42a-43a).

Judge Weinfeld acknowledged that the copyright law revision was intended, through the termination provisions as elsewhere, to enlarge the rights and benefits of authors (*id.* at 46a-47a). At the same time, he noted, the participants in the legislative process had been attentive to the contributions of

publishers in disseminating works of art, to the correlative necessity of encouraging "music publishers [to] play an integral part in the dissemination of musical works" (*id.* at 57a), to what is in effect "a partnership" for such purposes between authors and publishers (*id.*), and to the recognition of this collaborative need among the composers (*id.* at 57a-58a n.88; *see also* 46a-59a *passim*). The termination provisions, the district court found, read along with the Exception, were not given as "sole" and "exclusive" advantages to authors, but reflected a purpose to "accommodate" the respective interests and "to share" the fruits of joint efforts at least with respect to old derivative works (*id.* at 47a, 49a, 50a, 52a, 53a).

6. The decision of the court of appeals

In a unanimous opinion by Judge Oakes, the court of appeals reversed the "characteristically thorough opinion" of the district court (App. A 3a), while observing that the question presented is one "of considerable importance" (*id.* at 2a) on which "reasonable minds may well differ" (*id.* at 4a). Reversal was required, the court ruled, because of its disagreement "with the basic premise of the opinion below, namely that Congress was addressing multiple-grant situations like that present in the instant case when it enacted the 'derivative works' exception in the 1976 Act" (*id.*). While it noted that the three-party arrangement among composer (Snyder), publisher (Mills) and licensed record companies reflects "a standard practice in the music publishing industry" (*id.* at 5a), one "typically found in the music business" (*id.* at 19a), the court concluded that "Congress did not specifically address" this standard arrangement in the termination provision and its Exception (*id.* at 15a).

Having found the terms of the Exception inapposite, while holding effective the termination to which the Exception relates, the court of appeals proceeded "to determine what result Congress would have intended" had it faced the arrangement "typical" of the music business (*id.* at 19a) and common in other fields of derivative works as well (*infra*, pp. 12-13 n.7).

court rested its holding upon "three propositions": "first, that Mills is in reality relying on two separate grants; second, that Mills is not a utilizer of a derivative work; and third, that the statute does not expressly address the situation here . . . ." (App. A 12a). It concluded "[o]n balance" that "Congress would have intended to protect the owner of the derivative work, *i.e.*, the recording company, and the author of the underlying work, but not the original assignee who did not create the derivative work" (*id.* at 19a-20a). It found this conclusion as to what Congress would have intended "supported to some extent" by its own prior decision, "though criticized in other respects," in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 448, *cert. denied*, 431 U.S. 949 (1977) (*id.* at 20a), and by illustrative remarks during the legislative process which referred to motion pictures, where the film producer invests heavily and makes large creative contributions to the derivative work (*id.* at 21a).

REASONS FOR GRANTING THE WRIT

This case of first impression requires application of the "derivative works" Exception to multi-party arrangements, a common pattern within the entertainment industry. As the court below recognized (App. A 4a), the "overall issue involves substantial sums in future royalties in the music, literary, and movie worlds, among others." The question has been decided in an opinion that brushes aside the plain language of the recently enacted statute, assumes that the standard way of doing business in the music industry (and other entertainment industry segments) was ignored by Congress in the relevant provision evolved during at least a decade of study, and determines what Congress "would have intended" if it had not overlooked the typical cases about which it was legislating. To reach this result, the plain meaning of what Congress said is not merely disregarded; it has to be "tortured" beyond recognition, as Judge Weinfeld observed in the "characteristically thorough opinion" (*id.* at 3a) rejected by the circuit.

Unlike the district court decision, which focused on the statutory language and reached the result the language required, the decision of the court of appeals is a striking and explicit instance of "construing" a statute by neglecting altogether the words Congress enacted. The deviation from settled principles is of special consequence because it relates to the comprehensive code, evolved in long years of study, which is the Copyright Act of 1976. If, as here, the language Congress voted may so readily be found hapless and irrelevant, with judicial policy judgments to supply the governing rules, the constitutional allocation of authority over copyrights is profoundly undermined. The statute was crafted too carefully, balancing a range of often competing interests, to permit such easy abandonment of its terms. The departure from sound doctrine is, we submit, evident from a comparison of the two opinions below. The case is clearly significant—for the many relationships governed by the particular section in issue, for copyright jurisprudence broadly viewed, and for basic general principles of statutory construction—and is thus a proper subject for this Court's review.

1. The importance of this case

As the courts below and the parties have recognized, the decision in this case will be a vital precedent under the Act. The Exception, appearing within the termination provisions of the Act, is part of a fundamental reform enacted in 1976. Congress entirely redefined the term of copyright, replacing the prior two-term system with a longer single term, subject to the right of termination (which, in turn, was made subject to the Exception). The result in this case of first impression, dealing with typical and widespread licensing arrangements, is one of enormous monetary and doctrinal significance.

The different implications of the alternative positions before the Court, each viewed as a precedent, are great. Under the district court's analysis—and, we contend, under the terms of the Exception—derivative works may be used consistently with pre-existing arrangements; the terminated grant, for purposes

of old derivative works, is extended and continues to control. On the other hand, under the court of appeals decision, the *status quo* does not hold; instead, the court below nullified all of Mills's rights in the grant from the Snyders and, without specifying any contractual or other basis for the result, provided that the record companies are obligated to pay royalties only to the Snyders, with whom they had no direct relationship.

In short, a standard arrangement throughout the entertainment world is regulated by the rule made by the court below upon its determination that Congress simply overlooked the typical relationships it was undertaking to govern. Under the approach taken by the court below, the federal courts are obliged (or "freed") to evaluate the respective "creative" roles in a derivative work by the various parties to a transaction, and on this basis to sort out rights to royalties in lieu of the arrangements negotiated by the parties.

If grants may thus be rewritten under the Exception, proliferating disputes will be inevitable, extending beyond the type of work and "typical" (App. A 19a) form of grant in this case. The central hypothesis that "it was authors, not publishers, who were the intended beneficiaries of the termination provisions" will perplex lawyers and the courts as they deal with other "multiple-grant situations" (*id.* at 20a, 4a). The nullification of grants and the implied substitution of different parties in licenses is not a simple, self-executing procedure.

For example, in the motion picture industry, tripartite arrangements among authors, producers, and distributors are the norm. *See* P. Baumgarten & D. Farber, *Producing, Financing and Distributing Film* 1, 6, 27 (1973); 2 A. Lindey, *Lindey on Entertainment, Publishing and the Arts* 802-09 (2d ed. 1981). Film production arrangements are in fact strikingly similar to those in music publishing; in both industry segments the grantee's sublicensee (the record company or film distributor) often owns the copyright in the derivative work, P. Baumgarten & D. Farber, *supra*, at 65; 2 A. Lindey, *supra*, at 860, and

royalties paid by that owner often are shared by the author/composer and his or her direct grantee (the music publisher or film producer). P. Baumgarten & D. Farber, *supra*, at 13, 31.

Under the district court's decision, future uses of a film (a derivative work) would, upon termination of a grant, be controlled by the terms of that terminated grant (and any other pre-existing relationships made in conjunction with it). The result is left uncertain under the precedent created by the court of appeals. Where a film producer's original grant from the main copyright owner (a novelist or playwright) reserves to the grantee a share of royalties under a later grant, does the producer continue to share in royalties because it is a "creator"? Or is it as a non-"owner" cut out, like the petitioner herein, because only the second "grant" provides for how the derivative work may be "utilized"? Questions like these are not asked, let alone answered, in the decision of the court of appeals. They do not arise at all, however, if the terms of the statute are followed in accordance with their plain meaning.[6]

This problem is vastly important, meriting authoritative resolution now by this Court. The arrangements among Snyder, Mills and the record companies have been, as the court of appeals observed, "typically found in the music business" (App. A 19a). Many thousands of authors, publishers and recording companies will be affected while the meaning of the termination provision and the Exception remains unsettled. Comparable cases of multiple grants in other artistic fields will be open either for application of the statute's plain meaning in the fashion of the district court herein or for imagining variously "what Congress would have intended" (*id.*), as did the court of appeals.[7]

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6 Transactions are often structured with an appreciation of tax consequences. Copyright title, for example, may be assigned to the film distributor, to allow the distributor the benefit of the investment tax credit, P. Baumgarten & D. Farber, *supra*, at 65; *see* 26 U.S.C. § 49(k)(1), wholly without regard to the creative role of the producer.

7 In other areas of the entertainment industry as well multiple parties are involved. Novelists grant rights to publishers, who license others to create various subsidiary works. *See* Curtis, *Caveat Emptor in Copyright: A Practical Guide to the Termination-of-Transfers Provisions of the New Copyright Code*, 25 Bull. Copyright Soc. 19, 39-40 (Oct. 1972); 1 A. Lindey, *Lindey on Entertainment, Publishing and the Arts* 177, 199 (2d ed. 1980). Rights in television productions are divided among authors, producers, networks, sponsors, agents and others. 1 A. Lindey, *supra*, at 1125, 1208. Courts have already had to face licensing arrangements more complex than the two-party, one-step model that the Snyders portray as typical and as the situation contemplated by Congress. Thus, in *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469, 470 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951), a novelist and a dramatist assigned to Ricordi the right to produce a derivative work opera. Ricordi arranged for Puccini to create the opera, and then Puccini's heirs assigned to Ricordi the renewal term copyright in the derivative work.

There are still broader senses in which the importance of this case may be stated. It is an occasion for buttressing, early in its history, the authority of the Copyright Act of 1976 as a *statutory* code, to be enforced according to its terms, not to be displaced in the absence of commanding necessity by judicial guesses as to how Congress "would" or might have written it differently. Still more generally, this is a vivid case, etched by the contrasting opinions below, for reaffirming and further clarifying the obligation of the federal courts to seek and follow the meaning of legislative language and to find only under the strongest compulsion that Congress, after years of study, overlooked the obvious business or social facts it purported to address.

2. The disregard of a plain statute and substitution of mistaken judicial policy

While the applicable statutory language is partially "set out in the margin" by the court of appeals (App. A 5a and n.1), the court of appeals opinion nowhere suggests that the reversal of the district court, which undertook *inter alia* to follow plain meaning (App. B 39a-40a), can be squared with what Congress said. The fact is that it cannot be so squared. District Judge Weinfeld correctly applied the statutory text. The appellate opinion, on the other hand, treats the statutory terms as

irrelevant, and therefore makes no effort to see whether its decision can subsist with the statute.

The fundamental error in this is seen when we test the decision by the law as Congress wrote it. The pertinent words of § 304(c)(6)(A), in the brief context that gives them meaning, make plain that the key word "grant" has a single, controlling meaning—namely, the grant Ted Snyder gave and his heirs, the respondents, terminated—and not the two different meanings entailed by the respondents' position. Italicizing the words that convey the unambiguous meaning discerned and applied by the district court, the statute says:

> (c) In the case of any copyright subsisting in either its first or renewal term on January 1, 1978 . . . the exclusive or nonexclusive *grant* of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, . . . is subject to termination under the following conditions:
>
> • • •
>
> (4) The termination shall be effected by serving an advance notice in writing upon the *grantee* or the *grantee's successor* in title . . . . In the case of a *grant* executed by one or more of the authors of the work, the notice as to any one author's share shall be signed . . . , if that author is dead, by [the widow, widower, children or authorized agents].
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> • • •
>
> (6) . . . In the case of a *grant* executed by one or more of the authors of the work, *all of a particular author's rights . . . that were covered by the terminated grant* revert, upon the effective date of termination, to that author or [his or her heirs] . . . . *In all cases the reversion of rights is subject to the following limitations*:
>
> > (A) A derivative work *prepared under authority of the grant before its termination* may continue to be utilized *under the terms of the grant after its termination*, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by *the terminated grant*.

Taking these several provisions as a coherent whole, the Exception can only mean precisely what the district court said: upon notice of termination by an author (or by an author's heirs) to the *grantee*, all rights "that were covered by the terminated grant revert," except that derivative works "prepared under authority of the grant before its termination" may, following termination, "continue to be utilized under the terms of the grant."

The facts on which both parties moved for summary judgment illustrate the clear operation of the Exception:

- The single *grant* that the Snyders terminated was an exclusive grant of renewal rights given by Ted Snyder to Mills before January 1, 1978 (62a, 147a-158a, 161a).
- "[U]nder authority of [that] grant" Mills in turn had licensed the sound recordings in question (211a-212a).
- "Under the terms of the grant" from Snyder to Mills, net royalties generated by phonorecords made from the sound recordings Mills licensed were to be shared equally between grantor Snyder and grantee Mills (76a).
- The Snyders' notice of termination of "the grant" was addressed only to Mills; it did not, and did not purport to, affect the terms on which the licensed record companies "utilized" the sound recordings "prepared under the authority of the grant [to Mills] before its termination" (206a).

The unambiguous words of the statute compel the conclusion on these facts that the continued utilization of the sound recordings "under the terms of the grant" results—as it has all along—in the equal sharing of net royalties between the Snyders and Mills. The statute covers the case. There was no

sound reason to find it meaningless for the common business situation Congress was handling.

The court of appeals said, nevertheless, that it found an "ambiguity" in the word "grant" (App. A 16a n.12), and revised the statute to cure this. But there is, as just shown, no ambiguity at all, only a consistent meaning for the single word. A problem of incurable ambiguity arises only if there is an advance determination to reach the result respondents seek.

Unquestionably, there are two types of grants involved in this case—Snyder's grant to Mills and Mills's licenses to record companies. And, as the appellate court found, such situations are "typical" in the industry (*id.* at 19a). But, as is true in any "multiple-grant" situation, only the *terminated* grant is relevant for purposes of the statute.

The statutory language embraces multiple-grant transactions as well as single-grant relationships. Termination, under § 304(c), operates only upon the grant from the author or his heirs; it has no direct effect on any licenses issued by the initial grantee. Similarly, the Exception operates directly only upon the single, terminated grant, permitting utilization of pre-existing derivative works under the continued rights the Exception preserves. Licenses issued by the initial grantee stand or fall by their own terms. The statute neither requires nor permits a court to review the terminated grant and an array of licenses issued under it, and to pick and choose which transfers should be sustained.

Respondents, as appellants below, found it necessary to give statutory significance to all the grants involved in this case, even though they terminated, and could have terminated, only the grant to Mills (*see* 147a, 157a). Thus, they ascribed two meanings to the word "grant" within the same statutory sentence. They said (at p. 18 of their main brief):

> It is the original "grant" from author to publisher that has been terminated, but it is the second "grant" from publisher to the record company whose terms govern the continued utilization permitted to the record company.

Instead of accepting respondent's patently fallacious construction, the court of appeals agreed with the district court and Mills that "the proviso speaks in terms of one grant" (App. A 16a n.12), but found itself entitled and obliged simply to rewrite—or to by-pass—the statute because it faced a "multiple-grant" situation (*id.* at 4a). But there was neither a need nor sound authority to do that.

An explanation given by the court of appeals for the "ambiguity" it found is the surprising speculation that the legislative branch—Congress and the Copyright Office—working at the task for decades, wrote a termination provision and an exception that entirely overlooked "multiple-grant situations" (*id.* at 4a), though these situations, as the court later mentioned, are "standard practice in the music publishing industry" (*id.* at 5a) and at least widely familiar in other fields of copyrighted works (*see, supra*, pp. 12-13 n.7). There is not the slightest basis for the conjecture that Congress, after all these years, proceeded that fecklessly. On the contrary, the historical materials are replete with evidences that the various representatives of the "multiple grant" interests were on the scene, involved, and visible throughout, making certain that the drafters would reckon with the extensively studied industry realities (App. B. 55a, 59a).

The court of appeals further explained, as a matter of textual analysis, that there was need for judicial rewriting because the statute says the derivative works may be "utilized under the terms of the grant," and only the record company, not the publisher, is a "utilizer." But this is an impermissible solution to an imaginary problem. The statute says nothing of any "utilizer." It tells how the works may be "utilized"—"under the terms of the grant"—referring us for this purpose to the single grant that was terminated. The single grant here, the only one Ted Snyder gave and his heirs terminated, tells "how"—by paying royalties to be divided equally between the author and the publisher-grantee (76a).

As reflected pervasively, the court of appeals was propelled by a conviction that Congress had an overriding purpose to

favor the "creative" author and exclude the "middleman music publisher" from the benefit of the Exception. Not less than five times in the opinion the publisher is labeled pejoratively as a "middleman" (App. A 4a, 11a, 14a n.10, 21a, 22a; *see also id.* at 15a-16a n.11). Overlooked entirely is the undisputed fact, known to the legislative drafters, that publishers historically play a major role in disseminating, and causing the recording of, copyrighted works (App. B 57a-58a). Equally ignored is the fact that the "multiple-grant situation" is found not only in the musical world, but at least with great frequency in motion pictures, the theater and book publishing as well. *E.g.*, 1 A. Lindey, *Lindey on Entertainment, Publishing and the Arts* 200, 215 (2d ed. 1980). Thus, the court of appeals was able to give all to the author's heirs and nothing to the publisher only by (a) positing an incredible failure by Congress to deal with the subject before it and (b) attributing to Congress a one-sided and misconceived preference belied by the legislative history.

The express undertaking by the court to create the statute Congress "would have" written had it not neglected inadvertently the heart of its legislative subject could be justified only if the demonstration of Congressional inadvertence, and the futility of the statutory language, were patent. Here, on the contrary, as Judge Weinfeld made plain, the statute Congress wrote comfortably and intelligibly covers the problem. Thus, there is a threshold error in turning to judicial policy judgments, seeking to divine the balance of Congressional preferences, as a substitute for applying the statute as Congress wrote it. *This would seem to be specially clear where, as in this case, there is not one word in the legislative history spoken by any member of either House of Congress to suggest that any legislator voted for anything but the statutory language that was enacted.*

Beyond the initial error of seeking out policy grounds for rewriting the statute, the court of appeals erred in our submission by giving an inaccurate and unbalanced account of the

historical scraps that might seem even approximately relevant.[8] The drafters made clear, with specific reference to the termination provision, that they were undertaking to accommodate all interests, not simply those of the authors. Thus, in its Supplementary Report summarizing the drafting enterprise, the Copyright Office made clear that an array of interests, not solely derivative works' "owners" as the court below supposed, were to be benefitted in due shares. It said:

> During the course of the protracted discussions on this subject we in the Copyright Office have remained firmly committed to the general principle of reversion as one of the most important elements of the copyright law revision program. At the same time, we have recognized that there are legitimate arguments on both sides of this question, and that a reconciliation between the conflicting interests is necessary and desirable. Rather than clinging stubbornly to any particular formula for implementing the principle of reversion, *we have sought actively and persistently to find a basis for agreement that would be of practical benefit to authors and their families without being unfair to publishers, film producers, and other users.* [Copyright Law Revision, Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 1965 Revision Bill, 89th Cong., 1st Sess., Part 6, at 72 (H. Judiciary Comm. Print 1965) (emphasis added).]

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8 It will be seen, we believe, that the treatment of legislative history is far more thorough and comprehensive in the opinion of the district court (App. B 42a-66a) than in that of the court of appeals (App. A 17a-23a), and that the relative weights of ambiguous history and statutory text are more soundly assessed in the former. Among its contrary observations, the court of appeals said Judge Weinfeld "gave unjustified weight to a proposal in the pre-enactment hearings by the Authors League" (*id.* at 15a-16a n.11). The passage in the district court opinion thus characterized was a footnote, numbered 80 (App. B 54a-55a n.80), to which the Snyders devoted one of the four roman-numeral point headings in their brief.

The point was more broadly and briefly made in both the House and Senate Reports:

> [The termination section] reflects a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved. [S. Rep. No. 473, *supra* note 2, at 108; H. R. Rep. No. 1476, *supra* note 2, at 124, 1976 U.S. Code Cong. & Ad. News at 5740.]

It appears, then, that in supposing what the numerous members of Congress might have thought and "would have" done, the court of appeals was led to a sharply debatable, evidently wrong guess. The result illustrates the danger of ignoring the admonition of Mr. Justice Jackson, concurring in *United States v. Public Utilities Comm'n of California*, 345 U.S. 295, 319 (1953):

> When we decide from legislative history, including statements of witnesses at hearings, what Congress probably had in mind, we must put ourselves in the place of a majority of Congressmen and act according to the impression we think this history should have made on them. Never having been a Congressman, I am handicapped in that weird endeavor. That process seems to me not interpretation of a statute but creation of a statute.

See also Ernst & Ernst v. Hochfelder, 425 U.S. 185, 203 n.24 (1976).

CONCLUSION

This petition for a writ of certiorari should be granted.

Respectfully submitted,

MARVIN E. FRANKEL
(Counsel of Record)

MICHAEL S. OBERMAN
STEVEN E. GREENBAUM

KRAMER, LEVIN, NESSEN, KAMIN
& FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100

Attorneys for Petitioner,
Mills Music, Inc.

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APPENDICES

Appendix A

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 1105—August Term, 1982

(Argued May 9, 1983 Decided October 18, 1983)

Docket No. 83-7009

HARRY FOX AGENCY, INC.,

Plaintiff,

—v.—

MILLS MUSIC, INC.,

Defendant-Appellee,

—and—

MARIE SNYDER and TED SNYDER, JR.
d/b/a Ted Snyder Music Publishing Co.,

Defendant-Appellants.

Before:

OAKES, CARDAMONE, and PIERCE,

Circuit Judges.

Appeal from final judgment of the United States District Court for the Southern District of New York, Edward Weinfeld, *Judge*, in interpleader action under 1976 Copyright Act holding that appellee music publisher is entitled to continue to receive its share of mechanical royalties from phonograph records already made by licensed record companies after termination of copyright grant from appellant heirs of song's composers to music publisher. Reversed.

HAROLD R. TYLER, JR., New York, NY (Frederick T. Davis, Robert P. LoBue, Patterson, Belknap, Webb & Tyler, New York, NY, of counsel), *for Appellant Snyder.*

MARVIN E. FRANKEL, New York, NY (Michael S. Oberman, Steven E. Greenbaum, Kramer, Levin, Nessen, Kamin & Frankel, New York, NY, of counsel), *for Appellee Mills Music, Inc.*

MELVILLE B. NIMMER, Los Angeles, CA (Sidley & Austin, Los Angeles, CA, of counsel), *for Amicus Curiae National Music Publishers Association.*

IRWIN KARP, Port Chester, NY, *for Amicus Curiae Authors League of America, Inc.*

OAKES, *Circuit Judge*:

This appeal presents a novel question of considerable importance concerning the meaning and application of

the "derivative works exception" to the termination-of-transfers provision of the Copyright Act of 1976, 17 U.S.C. § 304(c)(6) (1977). At stake is whether the heirs of the composer of a song, or instead a music publishing company, are entitled to mechanical royalties from certain derivative works, in this case phonograph records. The heirs, exercising their rights under the Act, had terminated a grant to a music publishing company of all rights in the extended renewal term of the copyright of the song. This appeal concerns the rights to the mechanical royalties from phonograph records prepared and licensed before the termination of the renewal term grant to the publisher, but sold after the termination.

The case involves no dispute in facts and was quite properly disposed of in its entirety upon cross-motions for summary judgment. Ruling on the motions, the United States District Court for the Southern District of New York, Edward Weinfeld, Judge, in a characteristically thorough opinion held that the "derivative works" exception to the 1976 Act's author/composer termination rights, 17 U.S.C. § 304(c)(6)(A) (the "Exception"), operates to preserve the music publisher's rights to share song royalties from derivative works in the form of sound recordings licensed by it and prepared by sound recording companies before termination of the original grant by the author's heirs. *Harry Fox Agency, Inc. v. Mills Music, Inc.*, 543 F. Supp. 844 (S.D.N.Y. 1982). In a subsidiary holding the court held that under the Exception the music publisher could continue to license new releases of old derivative works that it first licensed prior to termination of the author's grant, with royalties to be shared as before, but that the publisher had no rights as to derivative works prepared after the termination or as to those prepared but not licensed prior to termination of the grant. *Id.*

Because we disagree with the basic premise of the opinion below, namely that Congress was addressing multiple-grant situations like that present in the instant case when it enacted the "derivative works" exception in the 1976 Act, we are required to reverse. Although the matter is one on which reasonable minds may well differ, we believe the scales tip in favor of the author's heirs, and that the music publisher/middleman, having already had the benefit of a renewal term, is without recourse upon termination.

The nature of the case and
the course of proceedings below.

This interpleader action was brought by Harry Fox Agency, Inc. (Fox), to resolve a dispute between appellants Marie Snyder and Ted Snyder, Jr. (the Snyders), respectively the wife and son of the composer, Ted Snyder, and appellee Mills Music, Inc. (Mills or the publisher), concerning rights in the well-known song "Who's Sorry Now." Even though the amount in controversy in this case is relatively small, the overall issue involves substantial sums in future royalties in the music, literary, and movie worlds, among others.

"Who's Sorry Now" was written and composed in the early 1920s by Ted Snyder, Burt Kalmar, and Harry Ruby as equal one-third authors. Copyright for the initial twenty-eight year term was registered in the Copyright Office in 1923 and eventually assigned to Mills. Subsequently Snyder and his two co-authors by separate agreements assigned to Mills all their rights to the twenty-eight year renewal term of copyright under the Copyright Act of 1909, 35 Stat. 1075 as amended (repealed 1976), a procedure which the Supreme Court later held was permissible and enforceable. *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943). Under the terms of both the original agreement and the renewal agreement, 50% of mechanical royalties received by Mills are retained by it and the other 50% are paid to the authors, a standard practice in the music publishing industry. These mechanical royalties are sufficiently substantial so that between July, 1971, and June, 1980, alone, $142,633.53 accrued in respect to this one song.

Fox, the interpleader plaintiff, as agent for Mills, issued licenses to record companies for mechanical recordings of the song, collecting from some 419 licensee record producers during the renewal period from 1951 to 1980. During the renewal term, after many, many years of consideration first by the Copyright Office and then by Congress, Congress adopted the 1976 Act which, inter alia, extended existing copyrights, including that in "Who's Sorry Now," by nineteen years, to a total of seventy-five years. 17 U.S.C. § 304(b). The Act provided that the author or specified successors may "terminate" previous grants and recapture all rights in the copyright for this nineteen year extension. *Id.* § 304(c). It expressly protected the authors and their heirs by providing that "termination of the grant may be effected notwithstanding any agreement to the contrary. . . . ." *Id.* § 304(c)(5). A proviso to the section, set out in the margin,[1] limits termination rights as regards the utilization of derivative works prepared under authority of the grant before its termination. *Id.* § 304(c)(6)(A).

On January 3, 1978, the appellants exercised their right to terminate at the beginning of the nineteen-year exten-

[1] "A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based on the copyrighted work covered by the terminated grant." § 304(c)(6)(A).

sion, i.e., effective January 3, 1980. As the district court held, the notice of termination was in proper form and operated to terminate Ted Snyder's grant to Mills of his one-third interest in the renewal copyright in the song, subject to applicability of the Exception. 543 F. Supp. at 848. Since the effective date of termination, Fox has collected mechanical royalties from the record producers and deposited an amount equal to Snyder's share in court, for resolution as to whether Mills continues to have the right to receive 50% of the benefits or instead whether all the benefits now accrue to the song's authors, who have regained their copyright in the song.

The statutory background.

Since the original enactment in 1709 of the statute of 8 Anne, c. 19, which gave authors and their assigns an exclusive copyright for fourteen years from publication, and a renewal term for fourteen years conditional upon the authors' surviving the original term, the question of assignability of renewal rights has been a cause for litigation in the Anglo-American courts. The history of the litigation and the development of the relevant copyright law is fully set forth by Justice Frankfurter in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. at 647-56. That history culminated in the decision in *Fisher* that under the Copyright Act of 1909, as amended, authors' rights to obtain renewal and extension of their copyrights are assignable by them through an agreement made before the expiration of the original copyright term. There, by a 5-3 majority, the Court upheld the 2-1 decision in this circuit, 125 F.2d 949 (2d Cir. 1942), rejecting the view that the congressional purpose had been to reserve the renewal privilege for the personal benefit of authors and their families.

The Copyright Act of 1976, which took effect on January 1, 1978, made a number of significant changes relevant here. In general the 1976 Act increased authors' rights to profit from their own work by, inter alia, extending the length of copyright protection and by overruling *Fred Fisher Music Co.*, giving authors a chance to terminate grants of their renewal term rights. The Act was drafted and redrafted several times by the Copyright Office of the Library of Congress, which is a part of the legislative branch itself, 2 U.S.C. §§ 131-170 (Cum. Supp. 1977). The draft went through a number of stages commencing with the Register's Report of July 1961[2] and including numerous revisions as set forth in Copyright Law Revision Parts 1-6, as to which panel discussions with industry representatives were held and objections and suggested amendments made.[3] Ultimately the relevant provisions were presented to and enacted unchanged by Congress. Thus the principal expression of the drafter's intent is found in the twenty years of history before the bill came to Congress, although H.R. Rep. No. 1476[4] and S. Rep. No. 473[5] are useful, of course, as is the Conference Report on the Copyright Act of 1976.[6]

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2 Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess. Copyright Law Revision (H. Judiciary Comm. Print 1961) [hereinafter cited as Copyright Law Revision, Part 1].

3 The various revisions are referred to at *supra* note 2 and *infra* notes 11, 15, and 19.

4 House Judiciary Comm., Copyrights Act, H.R. Rep. No. 1476, 94th Cong., 2d Sess., *reprinted in* 1976 U.S. Code Cong. & Ad. News 5659 [hereinafter cited as H.R. Rep. No. 1476].

5 Senate Judiciary Comm., Copyright Law Revision, S. Rep. No. 473, 94th Cong., 1st Sess. (1975) [hereinafter cited as S. Rep. No. 473].

6 H.R. Rep. No. 1733, 94th Cong., 2d Sess., *reprinted in* 1976 U.S. Code Cong. & Ad. News 5810 [hereinafter cited as H.R. Rep. No.

The district court decision.

Judge Weinfeld first noted that it is not disputed that the sound recordings of the song made by licensed record companies are "derivative works" covered by the "derivative works" exception. 543 F. Supp. at 849. This follows from the fact that the "sound recording"[7] constitutes a performance of a song first "fixed" on a master, *id.*, 17 U.S.C. § 101, and that the term "fixed" is synonymous with "prepared" in the statutory language of the Exception, "prepared under authority of the grant before termination."

The Snyders argued that the recordings in question nevertheless did not fall within the scope of the Exception. First they argued that the Exception does not apply because the recordings were not prepared "under authority of the grant" from Snyder to Mills, as the Exception requires, but instead were prepared pursuant to the self-executing compulsory license provisions of the Copyright Act. Under the compulsory license provisions once the copyright owner has caused phono records to be distributed to the public, any other person may obtain a nonexclusive "compulsory license" to produce and distribute other versions of the same song by complying with the statutory notice, accounting, and payment requirements. 17 U.S.C. § 115. The court found that the record companies here did not comply with the statutory requirements. Instead, they obtained from Mills licenses which state that the record company is subject to the rights and obligations of users under the compulsory license provi-

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1733]. The House Report is included as Appendix 4 in 4 M. Nimmer, The Law of Copyright (1983) [hereinafter cited as Nimmer] and the Conference Report is included as Appendix 5, *id.*

7 *See* 1 Nimmer, *supra* note 6, at § 2.10[A].

sions. These licenses, however, also specify modifications of the statutory terms, eliminating the notice requirement, reducing the frequency with which royalty payments and accountings have to be made according to statute, and reducing the statutory royalty rate. Judge Weinfeld's own *Joy Music, Inc. v. Seeco Records, Inc.*, 166 F. Supp. 549 (S.D.N.Y. 1958), had held that, even where the parties have agreed to vary the exact terms of the compulsory license section but did not intend to waive its protection, the licenses were protected under that section, at least for purposes of maintaining federal jurisdiction. Nevertheless, he held below that *Joy* did not mean that these licenses were identical to pure compulsory licenses or that the licenses in this case were self-executing. 543 F. Supp. at 851. He concluded that Mills had authority to vary the statutory terms in these licenses by virtue of the grant from Snyder and his coauthors, so that all sound recordings prepared pursuant to such licenses were prepared under authority of the grants.

Having determined that the derivative works exception applied to the Snyder-Mills grant, the district court then held that Mills was entitled under the Exception to receive royalties earned after termination of the grant. 543 F. Supp. at 854. The court did this by interpreting the statutory language of the Exception, noting the distinction between derivative works "prepared under authority of the grant *before* its termination" and "other derivative works" prepared *after* termination. *Id.* at 853. Since the court had found that the sound recordings at issue are "derivative works prepared under authority of the grant," it concluded that

> under the clear language of the Exception, such sound recordings "may continue to be utilized under

> the terms of the grant after its termination" and, under the express terms of the Snyder grant, Mills is entitled to share equally with the Snyders all royalties from phono records made from those sound recordings.

543 F. Supp. at 854. The statutory term "grant" thus was held to refer to the grant from Snyder (and his fellow authors) to Mills, and not to have reference to the grant of a license from Mills to the record companies.

In this connection Judge Weinfeld rejected the Snyders' argument that the Exception does not affect the copyright of the underlying work but applies only to the "utilization" of derivative works. This would lead to the conclusion that the record companies alone retain the right to utilize the derivative works under the Exception and that the authors own the underlying copyright upon termination. Instead Judge Weinfeld argued that "because derivative works are substantially copied from an underlying work, utilization of a derivative work involves the copyright in the underlying work," 543 F. Supp. at 854. Therefore, "by allowing for the continued utilization of old derivative works, the Exception necessarily limits the reversion of those rights in the underlying work that are incident to this utilization of old derivative works." *Id.* The publisher's right to continue to receive royalties is a right "involved" with the utilization of the derivative works, and protected by the Exception.

The court further pointed out that nothing in the language of this section states that the Exception applies only to record companies and excludes music publishers, putting emphasis on the statutory phrase "terms of the grant" rather than on the term "utilize." The court rejected the argument that "under the terms of the grant" refers only to the relationship between the author and the

record companies as owners of the derivative works and suggests that there is no such relationship. 543 F. Supp. at 854-55. In the court's view the Snyders' construction of the situation would nullify the grant from Snyder to Mills and, while the court conceded that "the Exception does not specifically address the situation herein where the author's grantee licenses others to make derivative works," its language is said to be entirely consistent with including Mills as Snyder's grantee. 543 F. Supp. at 855.

After discounting the legislative history as being "ambiguous," 543 F. Supp. at 855, Judge Weinfeld looked to the purposes underlying the Exception in the statutory scheme, *id.* at 857, and argued that "Congress intended that in specified situations the benefits of the extension be shared" as manifested by the Exception itself, which limits the reversion of rights to authors upon termination. It is with the conclusion drawn from this last point that we primarily disagree with Judge Weinfeld. In our view the congressional purpose has no reference to sharing by a middleman music publisher such as Mills. The judge then reviewed the legislative history and asserted that it "leaves no room to doubt" that the drafters of the termination provisions believed that the problem of unremunerative transfers and the need to afford authors an opportunity to share in the extended term would be "adequately addressed" by termination provisions which insure that authors can share in the benefits "but which also protect assignees." 543 F. Supp. at 860.

Finally, the district judge suggested that the policies underlying the copyright laws do not require exclusion of the music publisher in this situation, suggesting that the "sharing of returns provided to publishers" encourages publishers and other distributors to invest their resources in bringing creative works to the public, thereby contrib-

uting to the widest possible dissemination of works of authorship. 543 F. Supp. at 862.

Discussion.

We start with three propositions: first, that Mills is in reality relying on two separate grants; second, that Mills is not a utilizer of a derivative work; and, third, that the statute does not expressly address the situation here of a grant of rights to use the derivative work by the grantee of the author to a third party.

In connection with the first proposition, as copyright owner of the song by assignment from Snyder, Mills and Mills alone licensed the record companies, which obligated them to Mills alone. It is the terms of that grant or license which authorized each record company to prepare and utilize a derivative work, as indeed the district court held. While it is quite true, as the district court also held, that without the grant from Snyder to Mills enabling Mills to issue licenses to the record companies, "the licensees would be infringers," 543 F. Supp. at 850-51, it is also true that even with the Snyder grant to Mills, absent the grant *from* Mills, the licensees would be infringers.[9] In preparing the derivative works pursuant to the licenses, the licensees acted "under authority of the grant" from Mills to them even though that authority was derived from the original grant from Snyder to Mills.

Further proof of this first proposition lies in the fact that Mills itself relies on both grants. It relies on the terms of the Snyder-Mills grant for its right to retain 50% of the "net royalties actually received." But it equally relies on its own separate grants to the record companies, which

[9] This is so at least when, as here, the licensees did not comply with the compulsory license provisions of the Act.

are the only grants authorizing preparation of the derivative works, specifying the amount and frequency of the payment and other conditions of utilization. The record companies were obligated by the grants running to them to pay 100% of the stipulated royalties to Mills. The record companies *cannot* utilize their sound recordings "under the terms of" the grant from Snyder to Mills alone, as that grant states no terms applicable to the record companies but refers only to the 50-50 division of the net royalties actually received. It is from the grant from Mills to the record companies that the latter have received the right to prepare derivative works and the privilege under the derivative works exception to continue to use the derivative work which they have prepared and created.

The district court held that the phrase in the Exception stating that a derivative work "may continue to be utilized under the terms of the grant" necessarily carries with it permission by the composer to the terminated grantee to use the underlying work.[9] This view in our opinion incorrectly assumes that the grant referred to is the Snyder-Mills grant. Since the only grants which have terms that define the circumstances under which derivative works are to be prepared and utilized are the Mills-record company grants, it is the terms of those grants that the Exception preserves, not the grant from the Snyders giving Mills 50% of the mechanical royalties.

Second, Mills Music is not a utilizer of a derivative work. The only derivative works in question are sound recordings owned by record companies whose rights are not at issue. All that Mills did was to utilize the underlying copyright when it owned it by licensing others to

[9] 543 F. Supp. at 854; Brief for Appellees 14-15.

create and utilize derivative works. In fact, if Mills did attempt to "utilize" any of the derivative works itself, for example by selling copies of phono records of the copyrighted derivative work to the public, 17 U.S.C. § 106, it would be infringing upon the derivative copyrights, 17 U.S.C. § 103(a).

The language of the Exception supports such a conclusion. The Exception provides that the derivative work must be prepared under the authority of the grant, excluding, therefore, unauthorized derivative works. It is only grants from Mills to the record companies which authorize the preparation and creation of the derivative works here involved. The Exception, then, protects creators who utilize derivative works prepared under the authority of the grant authorizing the creation of such derivative works.

The district court argues that because a derivative user substantially copies from an underlying work, therefore a former holder of a copyright in the underlying work, like Mills, by definition must share in any exception or right given to the holder of a derivative copyright whose right to use the copyright originated from that former holder.[10] However, all this argument really demonstrates is that the

[10] The district court correctly stated that "derivative works are substantially copied from an underlying work," and correctly concluded from this fact that "utilization of a derivative work involves the copyright in the underlying work," referring to a number of decisions to bolster its conclusion. 543 F. Supp. at 854 & n.39. However, this conclusion and the cases supporting it are in our view irrelevant to the question at hand. The problem presented is not whether there is a relationship between an underlying copyright and a derivative copyright; the problem is in determining who it is that is "utilizing" the derivative work, as understood in the Exception. The Snyders concede that they in a sense lose some of their copyright rights as a result of the Exception. The question posed is to whom do they give up these rights—to the record companies alone or to the record companies and the middleman Mills?

music publisher is not in fact utilizing any derivative work, but rather once had a copyright (since terminated) that gave it, in the words of the district court, "rights in the underlying work that are *incident* to this utilization. . . ." 543 F. Supp. at 854 (emphasis added). The language of the Exception as understood by the district court would thereby be expanded to cover the publisher's asserted right to continue collecting royalties after termination even though the statute quite explicitly protects from termination *only* continued utilization of derivative works, and not continued utilization of rights attached to the underlying work. In the name of literal construction, Mills and the district court in effect would write into the Exception a provision protecting certain rights in the underlying copyright from termination when in fact the statute does not cover them.

The third proposition on which we rely is that Congress did not specifically address the situation where the grantee from the author has himself subleased or subgranted or licensed use of the copyright. Nothing in the legislative history suggests that Congress did address it;[11] everything

[11] The district court gave unjustified weight to a proposal in the pre-enactment hearings by the Authors League which the district court thought evidenced a construction in Mills' favor. 543 F. Supp. at 861 n.80. The proposal was to condition continued use of "old derivative works" after termination on payment of a minimum of 5% of the transferee's gross receipts. *See* 1964 Revision Bill With Discussions and Comments, 89th Cong., 1st Sess., Copyright Law Revision, Part 5, 241-45 (H. Judiciary Comm. Print 1965) (Statement of the Authors League) [hereinafter cited as Copyright Law Revision, Part 5]. The court considered this to be an admission by the authors' interests that under the derivative works exception they would receive no additional benefits from their assignees' continued utilization of old derivative works after termination. But the proposal merely concerned the problem of lump sum grants to derivative users, in particular to motion picture companies.

The 1964 draft, like the promulgated Act, included the Exception which gives those who utilize derivative works the right to continue to do so under the terms of the old grant. The Authors League proposal,

suggests that it did not, including especially the language of the Exception.[12] Had Congress wanted explicitly to address this situation, it could easily have drafted a clear proviso.[13]

inter alia, unsuccessfully tried to alter this provision in the case of derivative owners who purchased their right to the underlying work outright in a lump sum.

This part of the proposal did *not* address the problem of a middleman producer's rights to royalties under licenses given to, for example, record companies. Like much of the rest of the legislative history pointed to by both parties to this dispute, all this part of the Authors League proposal suggests is that the people involved in formulating the Exception did not consider the problem of the rights of the assignees of the underlying copyright to continue to receive royalties from owners of derivative copyrights.

Another related part of the Authors League proposal did address a problem of middleman publishers' rights under the termination clause, and led to the closing of a loophole in the Act which would otherwise have allowed publishers-assignees of nonexclusive rights in the underlying copyright to continue to exploit these rights after termination. *See* Copyright Law Revision, Part 5, *supra*, at 241. This proposal led to a change in sections 203 and 304 of the Act, giving owners the opportunity to terminate nonexclusive grants as well as exclusive grants. *Id.* at 224, 242; Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 1965 Revision Bill, 89th Cong., 1st Sess., Copyright Law Revision, Part 6, 73 (H. Judiciary Comm. Print 1965) [hereinafter cited as Supplementary Report]. However, we decline to place much weight on these changes, since they deprive publishers the right to profit from *new* derivative works after termination and are, once more, silent as to the problem we face concerning rights to royalties from derivative works produced *prior* to termination.

[12] For example, the ambiguity surrounding the referents of the word "grant" in the Exception is made much of by both parties. In a two-party transaction the ambiguity dissolves: the author makes the grant to the derivative user who makes derivative works under the terms of the same grant and who is allowed to continue to utilize these works after the author has terminated the grant. Both parties struggle to show that the proviso, and especially the word "grant," has a plain meaning in the three-party transaction represented here. But clearly it does not, for the proviso speaks in terms of one grant, while here, as we have discussed, we are dealing with two distinct grants.

[13] A proviso giving a publisher in Mills' situation the right to receive royalties could state something like the following:

> A derivative work prepared under authority derived from the author's grant before its termination may continue to be utilized

Instead Congress left the derivative works exception essentially in the same language as it had been since 1965, and all indications are that it accepted the Exception because it wished to protect owners of derivative works like film producers who own derivative copyrights in books or plays. For example, the House of Representatives Report stated (in reference to section 203(b), the new copyright analogue to section 304):

> An important limitation on the rights of a copyright owner under a terminated grant is specified in section 203(b)(1). This clause provides that, notwithstanding a termination, a derivative work prepared earlier may "continue to be utilized" under the conditions of the terminated grant; the clause adds, however, that this privilege is not broad enough to permit the preparation of other derivative works. In other words, a film made from a play could continue to be licensed for performance after the motion picture contract had been terminated but any remake rights covered by the contract would be cut off. For this purpose, a motion picture would be considered as a "derivative work" with respect to every "preex-

under the terms of the grant to the derivative work owner after its termination, with the terms of the grant from the author to control any sharing of proceeds derived from the derivative owner, but the privilege of the derivative work owner does not extend . . . .

Similarly, had Congress expressly intended to support the view of the Snyders, it could have said, as pointed out in the Brief for Appellee at 19 n.14:

> An owner of the copyright in a derivative work prepared under authority of the grant before its termination may continue to use the derivative work despite termination under the terms of the grant, provided, however, that all royalties or other fees being paid by the owner of the derivative work for use of the underlying work shall, after termination, be paid only to the owner of the underlying copyright and none shall be paid to any intermediate grantee.

isting work" incorporated in it, whether the preexisting work was created independently or was prepared expressly for the motion picture.[14]

This explanation derived from the statement by former Register Barbara Ringer that the purpose of the clause was to "permit the owner of a derivative work, such as a motion picture, to continue using it" after termination of the grant of copyright in the underlying work.[15] Similarly, in 1967 a House Report[16] discussing the then-current Revision Bill (H.R. 2512), where the current holder of derivative rights was in effect granted a right of first negotiation as to possible extension of the relationship

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[14] H.R. Rep. No. 1476, *supra* note 4, at 127.

[15] Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft, 88th Cong., 2d Sess. Copyright Law Revision, Part 3, 278 (H. Judiciary Comm. Print 1964). (Statement of Barbara Ringer, Register of Copyrights) [hereinafter cited as Copyright Law Revision, Part 3].

Ringer's other comments also all identify the "owners" of the derivative works as the class of people the Exception was created to protect. For example, in a panel discussion of the Preliminary Draft, she stated that the Exception was designed to "preserve the right of the owner of a derivative work to exploit it, notwithstanding the reversion." Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law, 88th Cong., 2d Sess., Copyright Law Revision, Part 4, 39 (H. Judiciary Comm. Print 1964) (Statement of Barbara Ringer, Register of Copyrights).

The reason for protecting derivative users, according to Ringer, is that "users, such as motion picture producers and book publishers (to name two of many), contribute a great deal themselves to the success of a work and assume considerable economic risks and losses which the author does not . . . . " Copyright Law Revision, Part 3, *supra*, at 277.

We give weight to Ringer's interpretations because they were adopted in the House Report cited above, and because "Barbara Ringer, the Register of Copyrights, more than any other single person, is responsible for the content of the new law. . . . " 1 Nimmer, *supra* note 6, Preface to the 1978 Comprehensive Treatise Revision at vi.

[16] House Judiciary Comm., Copyright Law Revision, H.R. Rep. No. 83, 90th Cong., 1st Sess. (1967).

with the parties entitled to reversion upon termination, the Report states: "Grantees would be given the equivalent of a right of 'first refusal,' and *any grantee who has made a derivative work* under his grant can continue to use it even after termination."[17]

Judge Weinfeld held that "there is no indication that these statements were meant as limitations on the scope of the Exception" and that they are "ambiguous," in light of the consideration that the paradigm "grant" is from an author of a book or play to a movie producer. 543 F. Supp. at 857 n.51. Yet the fact that Congress considered an exception to a rule solely in terms of one group of people—creators of derivative works—is certainly significant when a member of a different class—a former holder of the underlying copyright—seeks to place himself within the exception.

If the above three propositions are correct, we then have to examine the purposes of the derivative works exception to determine what result Congress would have intended, not having faced the more complex situation, typically found in the music business, of a grant to a music publisher followed by subsequent grants to licensees by the publisher to creators of derivative works. *United States v. Bacto-Unidisk*, 394 U.S. 784, 799 (1969), *reh'g denied*, 395 U.S. 954 (1969). To reach these conclusions, we must, as the Supreme Court has reminded us in *Texas Industries, Inc. v. Radcliffe Materials, Inc.*, 451 U.S. 630, 639 (1981), ascertain the "identity of the class for whose benefit the statute was enacted." *See also Cort v. Ash*, 422 U.S. 66, 78 (1975).

On balance, as we intimated earlier, we hold that Congress would have intended to protect the owner of the

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[17] *Id.* at 9 (emphasis added).

derivative work, *i.e.*, the recording company, and the author of the underlying work, but not the original assignee who did not create the derivative work. In short, it was authors, not publishers, who were the intended beneficiaries of the termination provisions.[18] And it was derivative works' owners, themselves creators, not publishers, who were the intended beneficiaries of the Exception. This conclusion is supported to some extent by a decision of this court which, though criticized in other respects, points to the equities which support the proprietor of the derivative copyright. *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977). The court said:

> In contrast to the situation where an assignee or licensee has done nothing more than print, publicize and distribute a copyrighted story or novel, a person who with the consent of the author has created an opera or a motion picture film will often have made contributions literary, musical and economic, as great as or greater than the original author.

551 F.2d at 493. As for assignments or licenses of underlying copyright, "[i]n such cases there is not the countervailing consideration that large and independently copyrightable contributions will have been made by the transferee." *Id.* (relying upon the "policy considerations in §§ 203(b)(1) and 304(c)(6)(A)").

A motion picture company, for example, in the creation of a film based on a novel, combines the efforts of actors, director, cinematographers, scenic designers and other talents, scenery, costumes and other physical ingredients,

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[18] H.R. Rep. No. 1476, *supra* note 4, at 124, 140, *reprinted in* 1976 U.S. Code Cong. & Ad. News, at 5740, 5756-57. *See also Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 683 F.2d 610, 617 (2d Cir. 1982).

often including the screenplay. Thus a book sold to a movie producer often involves the producer's investing millions of dollars to produce a film, as was pointed out during the Copyright Office revision hearings.[19] It was a motion picture attorney who proposed that the original termination proposal be modified so that "the motion picture producer could continue exploiting any motion pictures made during the 20-year period."[20] A record company is in the same position as the motion picture company in that it combines the talents of vocalists, musicians, arrangers, recording engineers, and so on to produce a sound recording of the composer's song. Having thus utilized the original elements of the underlying song, the recording company is permitted by the derivative works exception to continue to utilize its own derivative work.

Of course, the purpose of the termination clause was to permit authors to terminate transfers made so as to rectify "the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited."[21] Indeed, as we have pointed out, Congress invalidated any agreements executed by authors or their heirs before termination that transferred to others the rights that revert on termination, section 304(c)(6)(D), thereby overturning *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943). The contract between the creator and a middleman, made at a

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[19] Discussions and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 88th Cong., 1st Sess., Copyright Law Revision, Part 2, 107 (H. Judiciary Comm. Print 1963).

[20] *Id.* at 205.

[21] H.R. Rep. No. 1476, *supra* note 4, at 124, *reprinted in* 1976 U.S. Code & Ad. News at 5740.

time when the value assignable to the work's future exploitation is at its most speculative, is precisely the kind of bargain to which the termination clause was addressed. A contract with an actual derivative user is that much less speculative; another factor suggesting that Congress, had it considered the question, would have limited the Exception to derivative users.

The district court suggested that Congress intended publishers and other non-creative middlemen to share in original derivative work royalties after termination. Congress, however, accommodated the interests of terminated assignees elsewhere. The original proposal that lump sum transfers to producers be terminated after twenty years[22] was not accepted and a twenty-five year term was proposed.[23] After further publisher objections, the Copyright Office extended the permissible term of assignments to thirty-five years.[24] This thirty-five-year term was subsequently settled upon as a compromise.[25] In the 1964 bill, section 16(b)(2)(B) also created a right of first negotiation between author and assignee for post-termination rights, surely a concession to publishers,[26] and in the case where publication occurs more than five years after the transfer of rights, the 1965 Revision bill extended the transfer to forty years.[27] Finally, the original scheme of automatic

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22 Copyright Law Revision, Part 1, *supra* note 2, at 94.

23 Copyright Law Revision, Part 3, *supra* note 15, at 15 (Preliminary Draft, § 16, Alt. A).

24 Copyright Law Revision, Part 5, *supra* note 11, at 10 (Section 16).

25 Supplementary Report, *supra* note 11, at 75.

26 Copyright Law Revision, Part 5, *supra* note 11, at 153-54.

27 Supplementary Report, *supra* note 11, at 74 (1965 Revision Bill § 203(a)(2)).

termination was amended to require an affirmative act by the author.[28] Thus, the interests of assignees not protected by the derivative works exception were acknowledged and protected by other devices.

Nor does our reading of the Act give authors a monopoly on the use of particular creative works. There are privileges of fair use, 17 U.S.C. § 107, and compulsory license provisions, 17 U.S.C. § 115. These limitations are imposed to vindicate the public interest in the need for access to information contained in copyrighted works and in the promotion of a multiplicity of voices in society.[29] The derivative works exception guarantees public access to derivative works, including sound recordings, by withholding from the owner of the underlying copyright after termination a veto power over continued utilization of these works. Thus, as we see it, the various purposes of Congress are met, and the interests of all accommodated, by the construction which we believe must be given to the Act.

In light of the foregoing, we have no reason to treat the supposed conflict created by the district court decision between the termination provisions and the compulsory license provision argued by appellants in Part 3 of their brief.

The termination provision of the 1976 Act "mark[s] a break with a two-hundred year-old tradition that has identified copyright more closely with the publisher than

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28 Copyright Law Revision, Part 5, *supra* note 11, at 10 (1964 Revision Bill § 16).

29 *See, e.g., Maurizio v. Nizer*, 580 F.2d 1061, 1068 (2d Cir. 1977); *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966); 2 Nimmer, *supra* note 6, § 804[c] at 8-5.

with the author."[9] By ruling as we do today we affirm this congressional purpose, while assuring that creators holding derivative copyrights retain the protection Congress gave them in the derivative works exception, and while recognizing the interests of the publishers and of the public as defined and balanced by Congress in the 1976 Copyright Act.

Judgment reversed.

[9] Ringer: *First Thoughts on Copyright Act of 1976*, 22 N.Y.L. Sch. L. Rev. 477, 490 (1977).

Appendix B

UNITED STATES DISTRICT COURT,
S. D. NEW YORK.

No. 80 Civil 6993.

July 15, 1982.

The HARRY FOX AGENCY, INC.,

Plaintiff,

v.

MILLS MUSIC, INC., and Marie Snyder and Ted Snyder, Jr., d/b/a Ted Snyder Music Publishing Co.,

Defendants.

Paul, Weiss, Rifkind, Wharton & Garrison, New York City, for Nat. Music Publishers Ass'n as amicus curiae; Sidney S. Rosdeitcher, Peter L. Felcher, Daniel Victor, New York City, *of counsel.*

Silverman & Shulman, New York City, for plaintiff; Alan Shulman, New York City, *of counsel.*

Parcher & Herbert, P. C., New York City, for defendant Mills Music, Inc.; Peter A. Herbert, New York City, *of counsel.*

Linden & Deutsch, New York City, for defendants Marie Snyder and Ted Snyder, Jr.; Frederick F. Greenman, Jr., Alvin Deutsch, Robert C. Harris, New York City, *of counsel.*

OPINION

EDWARD WEINFELD, District Judge.

This is a case of novel impression involving the interpretation of the "derivative works exception" of the Copyright Act of 1976 (the "1976 Act") which became effective January 1, 1978. The parties to this litigation are in agreement that the material facts are undisputed; that the only issues are legal and the matter is ripe for disposition under their cross-motions for summary judgment made pursuant to Rule 56 of the Federal Rules of Civil Procedure.

Under section 24 of the Copyright Act of 1909 (the "1909 Act"),[1] an author or composer of a work was granted copyright protection for a total period of 56 years—an initial term of 28 years and a renewal term of 28 years with the right of assignment of each term.[2] The 1976 Act extended renewal copyrights subsisting at any time within the year prior to January 1, 1978 for an additional 19 years to a total of 75 years.[3] The authors and composers are given the right to recapture the benefits of the additional 19 years by terminating grants previously made to others. However, this right of termination and recapture of the copyright by the author is subject to an exception for "derivative works," such as sound recordings of a copyrighted song. Under this exception, when such "derivative works" are created under authority of the

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1 17 U.S.C. § 24 (repealed 1976).

2 *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 63 S.Ct. 773, 87 L.Ed. 1071 (1943); 17 U.S.C. § 23 (repealed 1976).

3 17 U.S.C. § 304(b). Thus, copyrights already in existence and in their renewal term were extended by adding 19 years to the 28-year renewal term. Copyrights in the original term of 28 years on January 1, 1978 may be renewed for an additional 47 years. § 304(a). In general, works created on or after January 1, 1978 may be copyrighted for the life of the author plus 50 years. § 302(a).

grant before its termination, they "may continue to be utilized under the terms of the grant after its termination."[4]

Broadly stated, the dispute in this case is between a music publisher to whom an author had assigned his renewal copyright to a musical composition and the author who exercised his right of termination. The issue presented is the application of the derivative works exception (the "Exception") to determine the respective rights of the author and the music publisher to royalties generated from sound recordings of the composition that were prepared by record companies before the effective date of termination. The authors claim they or their statutory heirs are entitled to all mechanical royalties earned after termination, regardless of when the recordings were made. The music publishers claim that, notwithstanding termination, the Exception entitles them to continue to collect and share royalties as they had prior to the effective date of termination, with respect to all sound recordings prepared by record companies prior to termination under licenses issued to them by the music publishers.

The work which is the subject of the royalty income dispute is a musical composition, "Who's Sorry Now" (the "Song") written and composed in the early 1920s by Ted Snyder, Bert Kalmar and Harry Ruby as equal one-third authors (the "Authors"). A typical arrangement in the music industry is for an author to assign his copyright in a song to a music publisher. Under the assignment, the publisher issues licenses to record companies (or "record producers") authorizing them to make phonorecords from sound recordings, in return for royalty payments which the publisher shares with the songwriter or author, often on a 50/50 basis.[5] This was the pattern followed in the instance of "Who's Sorry Now."

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4 17 U.S.C. § 304(c)(6)(A).

5 W. Rhinehill, The Economic Aspects of the Compulsory License, 86th Cong., 1st Sess., Copyright Law Revision, Studies Prepared for the Subcomm. on Patents, Trademarks, and Copyrights of the Senate Judiciary Comm. 92, 95, 99-100, 103 (Comm. Print 1960).

The original copyright in the Song was registered in the Copyright Office on March 7, 1921 in the name of Waterson, Berlin & Snyder Co., a publishing company. On February 9, 1932, the trustee in bankruptcy of the company assigned the copyright to defendant Mills Music, Inc. ("Mills"), then and now engaged in the business of publishing and otherwise commercially exploiting copyrighted musical compositions. On February 11, 1932, Mills recorded the assignment in the Copyright Office as the exclusive copyright owner and publisher of the Song for the balance of the original 28-year term of the copyright. In May and June 1940, Snyder, and later his two co-authors by their individual agreements, assigned to Mills all their renewal rights to the copyright of the Song, including the exclusive right to act as the publisher of the Song. On March 1, 1951, the copyright renewal was registered by Mills in the Copyright Office.

On May 16, 1958, Mills, in accordance with the requirements of section 1(e) of the 1909 Act,[6] filed with the Copyright Office a Notice of Use on Mechanical Instruments with respect to the Song. Such a Notice is designed to notify all other persons that a musical composition is available for mechanical reproduction by payment to the copyright owner of the royalty specified in the statute and compliance with other statutory requirements.[7] Sections 1(e) and 101(e) and their successor section 115 of the 1976 Act are known as the compulsory license provisions. However, that statutory procedure is rarely invoked. Usually, record producers apply to and obtain the right to use copyrighted material from music publishers (the copyright proprietors) under licenses which contain modifications of the statutory terms.[8] These modifications are designed to encourage exploitation of musical compositions by, among

6 17 U.S.C. § 1(e) (repealed 1976).

7 *Northern Music, Inc. v. King Records, Inc.*, 350 F.2d 457, 459 (2d Cir. 1965).

8 *Recording Indus. Ass'n of America v. Copyright Royalty Tribunal*, 662 F.2d 1, 4 (D.C.Cir. 1981).

other matters, lowering the statutory royalty rate, dispensing with statutory notice requirements, or reducing the frequency with which accountings and payments are made. This practice was followed in the instant case.

The Harry Fox Agency, Inc. ("Fox"), plaintiff herein, for many years has acted on behalf of Mills and issued licenses with respect to mechanical recordings of the Song to producers of phonorecords. During the years 1951 to and including 1980, encompassing the renewal period under the 1909 Act, Mills either directly or through Fox issued 419 licenses to record producers permitting use of the Song in connection with the manufacture and distribution of phonorecords. Fox has collected from the record producers the royalties derived from such licensed use of the Song which were then distributed equally on a 50/50 basis as provided for by the agreement between Mills and the Authors; accordingly, each Author received his proportionate one-third of the 50% share to which he was entitled.

On January 3, 1978, defendants Marie Snyder and Ted Snyder, Jr. (the "Snyders"), widow and son of the deceased composer, Ted Snyder, exercised their right under the 1976 Act as statutory heirs[9] to terminate Ted Snyder's grant to Mills at the beginning of the 19-year extension of the renewal term. Pursuant to section 304 of the 1976 Act, the Snyders served a Notice of Termination upon Mills effective January 3, 1980. That Notice terminated Ted Snyder's grant to Mills of his one-third interest in the renewal copyright in the Song subject to applicability of the Exception.

Since the effective date of termination, Fox has received from the record producers royalties in a sum equal to $5,301.03. Fox paid two-thirds of this sum to Mills[10] and has

9 *See* 17 U.S.C. § 304(c)(2).

10 This portion relates to the interests of Ted Snyder's two co-authors, which are not at issue in this case. Customarily, with respect to musical compositions owned by Mills, Fox, after deducting its agency commission, remits all monies generated by Mills' compositions to Mills

retained the balance of $1,767.01, that is, one-third of the total amount corresponding to the Snyders' share (the "Disputed Fund"), which sum has been deposited in Court upon the commencement of this action.[11] Mills and the Snyders each make conflicting claims with respect to the Disputed Fund and as to distributions of any future royalties.

Fox commenced this interpleader action to resolve the dispute pursuant to 28 U.S.C., section 1335, and it also seeks declaratory relief pursuant to 28 U.S.C., section 1338(a) in that the controversy arises under the federal copyright laws. Mills and the Snyders asserted counter and cross-claims and each moves for summary judgment. Their conflicting demands upon the Disputed Fund are the result of differing interpretations of provisions of the 1976 Act. Thus we turn to the pertinent provisions of the Act.

The right of termination by Ted Snyder, or as in this case, by his statutory heirs, of the renewal copyright held by Mills is not absolute. It is subject to a clearly expressed limitation. Thus section 304(c)(6) in pertinent part provides that

> all of a particular author's rights . . . covered by the terminated grant revert . . . to that author or [his statutory heirs]. In all cases the reversion of rights is subject to the following limitations:
>
> (A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

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directly and Mills remits 50% of the monies it receives to the writers of the compositions as their share. As one of three co-equal authors, Ted Snyder is entitled to one-third of the 50%.

11 Fox paid a small amount of mechanical royalties to Mills which is the subject of a cross-claim by the Snyders against Mills.

Analysis of the contentions of Mills and the Snyders requires a definition of terms used in this and other relevant provisions of the 1976 Act.

A work is a "derivative work" if it is substantially derived from an underlying work, and would otherwise constitute an infringement of the copyright in the underlying work but for the permission granted by the copyright proprietor thereof for its use.[12] It is not disputed that the sound recordings of the Song made by licensed record companies are "derivative works." The "sound recording" is a series of sounds constituting a performance of the Song which is first "fixed" on a master.[13] The term "fixed" as defined in section 101 of the 1976 Act[14] is synonymous with the word "prepared" as used in the derivative works exception. "Phonorecords" are material objects which are copies of the sound recordings.[15] Although the

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12 1 M. Nimmer, The Law of Copyright § 3.01, at 3-3 (1982). The statutory definition is "a work based upon one or more preexisting works, such as a . . . musical arrangement, . . . motion picture version, sound recording, . . . or any other form in which a work may be recast, transformed, or adapted." 17 U.S.C. § 101.

13 "'Sound recordings' are works that result from the fixation of a series of musical . . . sounds, . . . regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied." *Id.* A sound recording must be distinguished from both the underlying musical composition, which is transposed into aural form by the sound recording, and the phonorecord, the material object on which the sound recording is recorded. 1 M. Nimmer, *supra*, § 2.10[A].

14 "A work is 'fixed' in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." 17 U.S.C. § 101.

15 "'Phonorecords' are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated,

term "grant" is not defined in the Act, it is not disputed that it encompasses an assignment of the author's renewal copyright.[16]

Mills contends that all sound recordings (*i.e.*, derivative works) of the Song fixed or prepared by record companies prior to the effective date of termination pursuant to licenses issued by Fox, including the sound recordings that constitute the subject of this action, were "prepared under authority of the grant before termination" and thus are protected by the limitation of the derivative works exception and may continue to be utilized by Mills, as in the past. Accordingly, Mills claims it is entitled to receive all royalty income derived from the distribution of phonorecords made from these sound recordings subject only to Mills' obligation, as in the past, to remit 50% of such income to the Snyders in accordance with their equal one-third co-authors' share.

Contrariwise, the Snyders contend that upon termination each previously licensed record producer may continue to make and distribute phonorecords but that the Snyders are entitled to all mechanical royalties on such phonorecords to the exclusion of Mills. In sum, however phrased, under this concept the derivative works exception protects only the record producers; the author who exercised his right of termination thereafter gets all the royalties; and the publisher is out of the picture.

I.

The Snyders first contend that the Exception does not apply to the sound recordings in this case. They argue that the recordings were not prepared "under authority of the grant"

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either directly or with the aid of a machine or device. The term 'phonorecords' includes the material object in which the sounds are fixed." *Id.*

16 The Snyders at one point contend that " 'the grant' [also] includes the license from Fox to the record company." Snyders' Memorandum of Law at 47.

from Snyder to Mills, as the Exception requires. The Snyders do not dispute that the late Ted Snyder's assignment and that of his co-authors of their renewal copyright conveyed to Mills all the rights and authority of copyright ownership in the Song. That ownership gave Mills the right to exploit the underlying work by preparing sound recordings[17] and using the recordings to reproduce and publicly distribute phonorecords.[18] As the copyright owner, Mills had the right to exploit the underlying work directly or by licensing others to act.[19] Here, it exploited the Song by issuing or causing Fox as its agent to issue nonexclusive licenses to record companies, who in turn made sound recordings to reproduce phonorecords that were sold and that yielded royalties, including the royalties at issue. So, too, the Snyders do not dispute that Ted Snyder's assignment of the renewal copyright in the Song was a "grant" within the meaning of section 304(c) of the 1976 Act; neither do they dispute that the sound recordings at issue are "derivative works" as defined in section 101.[20] They do dispute that the sound recordings were prepared "under authority of the grant" from Ted Snyder to Mills; they contend the sound recordings were prepared under authority of the compulsory license provisions, not the grant from Ted Snyder to Mills and so are beyond the protection of the derivative exception.

Nothing in the legislative history of the 1976 Act suggests that the phrase "under authority of the grant" was intended to exclude derivative works prepared pursuant to licenses issued by the assignee of an author's renewal copyright. The Snyders' contention is contrary to the plain meaning of the phrase and seeks to negate the force and effect of the assignment of Ted Snyder's renewal rights to Mills (the "Snyder Grant"). Since the sound recordings at issue were prepared by record compa-

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17 *See* 17 U.S.C. § 106(2).

18 *See* 17 U.S.C. § 106(1), (3).

19 *See* 17 U.S.C. § 106.

20 Snyders' Memorandum of Law at 6.

nies under the licenses issued by Mills, and Mills issued these licenses under the authority it derived by virtue of the Authors' grants, then the rights acquired by the licensees, the record companies, flow from the Authors' grants to the licensor (Mills); without that grant the licensees would be infringers. Accordingly, in preparing the derivative works pursuant to such licenses, the licensees acted "under authority of the grant."

The thrust of the Snyders' contrary position is that the licenses issued by Mills to the record compa[illegible]s were self-executing under the compulsory license provisions of the Copyright Acts and thus were not issued under the authority of the Authors' grants to Mills. Under these provisions, once the copyright owner has caused phonorecords of a non-dramatic musical work to be distributed to the public in the United States, any other person may obtain a non-exclusive "compulsory license" to make and distribute other phonorecords of the work by complying with notice and accounting requirements and payment of specified royalties.[21] A person obtains a compulsory license merely by complying with the statutory requirements of the compulsory license provisions.

A record company desiring to avail itself of compulsory licensing under the 1976 Act must, among other matters, give notice to the copyright owner of its intention to obtain a compulsory license before distributing any phonorecord of the work;[22] make monthly payment of royalties under oath;[23] and file detailed cumulative annual statements of account, certified by a certified public accountant.[24] In the event of default with respect to the monthly payment or the monthly or annual

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21 17 U.S.C. § 115. Prior to January 1, 1978, compulsory licensing was obtained upon compliance with similar terms of the 1909 Act, 17 U.S.C. §§ 1(e), 101(e) (repealed 1976). Implicit in the provisions in both Acts is the right to make the sound recording—that is, the derivative work—from which the phonorecords are reproduced.

22 17 U.S.C. § 115(b)(1).

23 17 U.S.C. § 115(c)(3).

24 *Id.*

statements, upon notice and failure to remedy, the compulsory license is automatically terminated and the record company becomes liable as an infringer.[25] Failure to comply with the notice requirement forecloses the possibility of a compulsory license.[26]

The record companies in this case did not comply with the statutory requirements and, therefore, were not entitled to and did not obtain self-executing compulsory licenses. Instead, each applied to and obtained from Mills licenses issued by Mills under the grant of authority from the Authors. The licenses so obtained state that the record company is subject to all the rights and obligations of users under the compulsory license provisions, but with specified modifications.[27] All the licenses modify the statutory terms for compulsory licenses. They eliminate the notice requirement for users and reduce the frequency with which royalty payments and accountings otherwise would have to be made, and some reduce the statutory royalty rate.[28]

Under *Jay Music, Inc. v. Sonco Records, Inc.*,[29] relied upon by the Snyders to support their position, this Court held that where the parties agreed to vary the exact terms of the compulsory license section but did not intend to waive its protection, their licensees were protected under the compulsory license provisions, at least for the purpose of maintaining federal jurisdiction.[30] But *Jay Music* did not hold that these

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25 17 U.S.C. § 115(c)(4).

26 17 U.S.C. § 115(b)(2).

27 *See* Complaint Exhs. C, D; Five Reply to Mills Counterclaim Exh. A.

28 *See id.*

29 166 F.Supp. 549 (S.D.N.Y. 1958).

30 166 F.Supp. at 550. *Accord, Shapiro, Bernstein & Co. v. Gabor*, 266 F.Supp. 413 (S.D.N.Y. 1966) (mem.); *Gershwin Publishing Corp. v. Charlie Parker Record Corp.*, No. 63-768 (S.D.N.Y. Feb. 11, 1964) (mem.); *Leo Feist, Inc. v. Derby Records, Inc.*, No. 95-227 (S.D.N.Y. Apr. 22, 1955) (judgment).

licenses were identical to pure compulsory licenses which embody all the statutory compulsory licensing terms. The Snyders' argument that the licenses in this case were self-executing under the statute ignores the negotiated terms that modified and even eliminated certain of the statutory terms. These terms were more favorable to the record companies than those that would have been imposed had the record companies relied exclusively on the compulsory license provisions.

The modifications of the statutory compulsory license terms contained in the licenses from Mills to the record companies were based on its authority under the grants from Ted Snyder and his co-authors. Since the record companies did not comply with all the statutory requirements, except for these licenses they would be infringers of the copyright of the Song. The modifications allowed the record companies to deviate from the royalty and other requirements of the statutory compulsory licenses, yet still lawfully prepare and exploit their sound recordings. Since Mills had authority to vary the statutory terms in these licenses solely by virtue of the Snyder Grant and those of the co-authors, it follows that all sound recordings prepared pursuant to such licenses were prepared under authority of the grants.

The Snyders' reliance upon the holding in *Jay Music* and similar cases to support their contention that the sound recordings in this case were prepared under the mandate of the compulsory license provisions and not under the authority of the grant to Mills is misplaced. The issue in those cases was whether agreed-upon variations between a music publisher and a record company from the exact terms of the compulsory license provisions resulted in a private licensing agreement so that it was enforceable only in the state courts.[31] The holding was that the parties did not, by their consensual arrangement, intend to waive protection of the Copyright Act, and that the federal district court had subject matter jurisdiction of the

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31 186 F.Supp. at 550; *see T. B. Harms Co. v. Eliess*, 339 F.2d 823 (3d Cir. 1964).

action as one "arising under" the copyright laws.[32] The case did not present, and the Court did not consider, the issue of the derivative works exception, which was not in existence at the time. The fact that an action to enforce payment of royalties under a Mills license "arises under" the Copyright Act, carrying with it federal subject matter jurisdiction, does not convert the license to one that was acquired under the self-executing compulsory license provisions of that Act; nor does it mean that the sound recordings were not "prepared under authority of the grant" so that the Exception does not apply. In this case, "under authority of the grant" refers to Mills' authority as grantee from the Authors to issue and negotiate the terms of the licenses; under *Jay Music*, the exercise of such authority upon terms different from the statutory provisions is consistent with finding that these licenses are nonetheless subject to the protection of the federal courts. Accordingly, the Court finds that the derivative works exception applies to the derivative works in the case at bar. Since these sound recordings embody performances of the Song that were recorded pursuant to licenses issued by Mills under authority of the Authors' grants, such sound recordings "were prepared under authority of the grant" within the meaning of the Exception.[33] When the Snyders terminated Ted Snyder's grant to Mills, the reversion to the Snyders of rights under the Copyright Act covered by the terminated grant was limited by the derivative works exception.[34]

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32 28 U.S.C. § 1338.

33 Moreover, if, as the Snyders argue elsewhere in their briefs (*see* Snyders' Memorandum of Law at 47), the "grant" is not limited to the Authors' grants to Mills, but includes both those grants and the licenses from Mills to the record companies, then there can be no question that the sound recordings were prepared under authority of these "grants."

34 Some commentators have suggested a different interpretation. They argue that the operation of the Exception is limited to large-scale derivative works. *See, e.g.*, A. Latman, *The Copyright Law* 93 (5th ed. 1979); Kadden, *Copyright Law*, 1978 Ann. Survey Am.L. 593, 603-04; Cohen, *"Derivative Works" Under the Termination Provisions in the*

II.

The Snyders next argue that even if the derivative works exception is applicable in this case Mills is not entitled to receive royalties earned after termination of the Snyder Grant.[16] They make a broad claim that the termination provi-

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1976 Copyright Act, 28 Bull. Copyright Soc'y 380, 391-92 (1981) (summary of argument). That restricted view of the scope of the Exception is contrary to its language, which uses the term "derivative work" without qualifying the broad definition of the term in § 101 of the 1976 Act. Elsewhere in the Act, where Congress intended to treat certain derivative works differently, it did so explicitly. *See, e.g.*, 17 U.S.C. § 114(b). The proponents of the restrictive view rely on the legislative history to argue that the Exception was drafted specifically to protect the motion picture industry. However, nothing in the legislative history indicates that the Exception was understood to be so limited. Motion picture remake rights were used to illustrate its operation, but this was only an illustration; there is no indication that it was meant as a restriction. *See, e.g.*, H.R.Rep.No. 1476, 94th Cong., 2d Sess. 127 [hereinafter cited as H.R.Rep.No. 1476], *reprinted in* [1976] U.S. Code Cong. & Ad.News, 5659, 5743; 3 M. Nimmer, *supra*, § 11.02[B], at 11-17. On the contrary, the Authors League raised the issue by proposing that the operation of the Exception be limited to motion pictures and other large-scale derivative works, *see, e.g.*, Copyright Office, 89th Cong., 1st Sess., Copyright Law Revision, Part 5, 1964 Revision Bill with Discussion and Comments 243, 244-45, 251 (H. Judiciary Comm. Print 1965) [hereinafter cited as Copyright Law Revision Part 5], but the proposal was never acknowledged. Instead, the drafters of the Exception expressly incorporated the broad definition of derivative work in § 101 into their subsequent explanation of the Exception, and explained that derivative works include works such as sound recordings as well as motion pictures. *See* Register of Copyrights, 89th Cong., 1st Sess., Supplementary Report on the General Revision of the U.S. Copyright Law: 1965 Revision Bill 76 (H. Judiciary Comm. Print 1965) [hereinafter cited as Supplementary Report]. The proponents of the restrictive interpretation of the Exception urge policy considerations in support of their position. However, Congress could have, but did not, distinguish between large- and small-scale derivative works, and it is not for the courts to construct such a distinction.

16 All references to royalties and rights in the Song are to the royalties and rights corresponding to Ted Snyder's original one-third interest in the Song which is the subject of the dispute.

sion was intended to confer the entire benefit of the 19-year extension of copyright protection under the 1976 Act upon authors, composers and other creators. Here, particularly, they contend that the Exception protects only the record companies as the producers or owners of a derivative work and does not apply at all to music publishers. Thus they urge that all mechanical royalties paid by the record companies for utilization of sound recordings revert to them, to the exclusion of Mills, and that such was the Congressional intent. On the other hand, Mills claims the Exception applies to music publishers and in this case preserves Mills' right under the Snyder Grant to continue to collect 50% of the royalties after termination with respect to those sound recordings that were prepared by record companies before termination pursuant to licenses issued by Mills.

To interpret the Exception, the starting point is, of course, the statutory language,[17] which makes a sharp distinction between derivative works "prepared under authority of the grant *before* its termination" (old derivative works) and "other derivative works" prepared *after* termination (new derivative works).[18] It is desirable at this point to repeat the text of the provision which limits the reversion or recapture right of the author:

> A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

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16 *North Haven Bd. of Educ. v. Bell*, ___ U.S. ___, ___, 102 S.Ct. 1912, 1917, 72 L.Ed.2d 299 (1982); *Northwest Airlines, Inc. v. Transport Workers Union*, 451 U.S. 77, 91, 101 S.Ct. 1571, 1580, 67 L.Ed.2d 750 (1981); *Connecticut v. Cuisinarts, Inc. (In re Grand Jury Investigation of Cuisinarts, Inc.)*, 665 F.2d 24, 32 (2d Cir. 1981).

17 17 U.S.C. § 304(c)(6)(A) (emphasis added).

The dispute between the parties is confined to *old* derivative works, *i.e.*, those sound recordings prepared under authority of the grant before termination. We consider their respective contentions against the background of the findings previously made that the sound recordings at issue are "derivative work[s] prepared under authority of the grant." There is no dispute they were prepared before termination of the grant.[38] Accordingly, it would follow under the clear language of the Exception, such sound recordings "may continue to be utilized under the terms of the grant after its termination" and, under the express terms of the Snyder Grant, Mills is entitled to continue to share equally with the Snyders all royalties from phonorecords made from those sound recordings.

The Snyders resist this conclusion. They argue the Exception does not affect the copyright of the underlying work, the Song, but applies only to the utilization of derivative works; the argument continues that Mills held the copyright only in the underlying work and never owned the sound recordings and never had any copyright in them; that the record companies hold all the rights in the recordings themselves, and thus the Snyders conclude that the Exception was for the sole benefit of the record companies and not for the music publishers. However, because derivative works are substantially copied from an underlying work, utilization of a derivative work involves the copyright in the underlying work.[39] By allowing for the continued utilization of old derivative works, the Exception necessarily limits the reversion of those rights in the underlying work

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38 If/when sound recordings were both prepared and licensed before termination, A separate and related issue exists with respect to Mills' asserted right to license after termination sound recordings prepared but not licensed prior to termination. Two of the licenses at issue are of this type and are considered separately hereafter. (*Post* pp. 868-869.)

39 *United States v. Taxe*, 540 F.2d 961, 963-66 n.2 (9th Cir. 1976), *cert. denied*, 429 U.S. 1040, 97 S.Ct. 737, 50 L.Ed.2d 751 (1977); 1 M. Nimmer, *supra*, § 3.01, at 3-2 to 3-3; *see* 17 U.S.C. § 101; *see, e.g., G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir.), *cert. denied*, 342 U.S. 848, 72 S.Ct. 77, 96 L.Ed. 641 (1951).

that are incident to this utilization of old derivative works. Thus, the Snyders' claim that the Exception does not apply to Mills because the Exception does not apply to copyright in underlying works disregards the source of the derivative works and is without substance.

Moreover, nothing in the language of the section states that the Exception applies only to the record companies and excludes music publishers. It makes no mention of derivative work owners or producers or of any distinction between grantees who themselves make or own derivative works and those who license others to do so. The Snyders seek to overcome this by emphasizing the clause in the Exception that a derivative work "may continue to be utilized" after termination and urge that it acts as a limitation that confines the benefits of the Exception to record companies as the derivative work owners and producers. However, this language clearly does not connote the inclusion of the record companies to the exclusion of the publishers who issued the licenses to the record companies. Moreover, even if the Snyders' interpretation of the word "utilize" were correct, it does not mean that the Exception is limited to derivative work owners or makers or that it does not apply to the music publishers' right to mechanical royalties under the licenses issued by them. The Exception expressly makes continued utilization of old derivative works subject to the "terms of the grant." Accordingly, all parties to a grant may continue to enjoy the benefits from the utilization of the derivative works where the terms of the grant so provide.

The Snyders make a further argument that all royalties revert to them because "under the terms of the grant" refers only to the relationship between the author (or his successors) and the record companies as owners of the derivative works, and prevents the record companies from obtaining any greater rights than they had prior to termination, including royalty rates. Consequently, it is urged that music publishers are not entitled to receive their share of the stipulated royalties after termination. Again, this reads language into the Exception that does not exist. The fact is that there is no relationship between

the record companies and the author; there is no grant directly between the author and the record companies. The Snyder Grant defines the relationship only between the author and Mills, including the royalty arrangement between them—that is, in return for the assignment of the renewal copyright Mills and the author share the royalties on a 50/50 basis. The royalty arrangements with the record companies are defined separately by the licenses issued to them by Mills, and the author is not a party to these licenses; the licensing arrangements are exclusively between Mills and the record companies. Nothing in the phrase "under the terms of the grant" or any other language of the Exception indicates that Mills, as the author's grantee, is deprived of its rights "under the terms of the grant" simply because it licenses others to make derivative works rather than doing so itself. In order for all the royalties from the record companies to revert to the Snyders despite the express "terms of the grant," the Court would be required to rewrite the grant so as to disregard all the references to Mills and instead substitute in their place the author or his statutory successors. Rather than following "the terms of the grant," this would nullify the grant from Ted Snyder to Mills. Thus, the Snyders' interpretation of the derivative works exception to exclude music publishers, such as Mills, requires a tortured reading of its language. By contrast, while the Exception does not specifically address the situation herein where the author's grantee licenses others to make derivative works, its language is entirely consistent with including Mills, as Snyder's grantee.

Nevertheless, the Court has searched beyond the statutory language to determine whether the legislative history or the policies underlying the Exception and the 1976 Act favor the Snyders' version.[40] This search has included a careful review of thousands of pages of Congressional committee prints,

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40 *See Ninth Haven Bd. of Educ. v. Bell*, ___ U.S. ___, ___, 102 S.Ct. 1912, 1917, 72 L.Ed.2d 299 (1982); *United States v. Perdue Farms, Inc.*, 680 F.2d 277 at 280-81 (2d Cir. 1982); *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 647, S.Ct. 773, 774-775, 87 L.Ed. 1057 (1943).

hearings and reports, and floor debates. It has also included an examination of the legislative history of section 203[41] as well as section 304(c) of the 1976 Act. Section 203 contains a derivative works exception identical to that in section 304(c).[42] Like the latter section, section 203 provides for the termination of grants. However, while section 304(c) applies to grants executed before January 1, 1978, section 203 applies to grants executed on or after that date.[43] Further, while section 304(c) provides for termination at the beginning of the extension period, section 203 provides for termination 35 years after the date of execution of a grant.[44] The legislative history indicates that the two termination provisions and the two derivative works exceptions are intended to be applied in substantially the same way. However, the legislative history of section 203 is considerably more extensive than that of the other section; for example, in some instances the legislative history of section 304(c) simply refers to section 203.[45] Thus, the Court has considered the legislative history of both sections, although always in light of the differences between the two.

The Snyders place great weight on the legislative history, but, in fact, the legislative history of the derivative works exception is ambiguous and does not support their claim. The entire copyright law revision effort that culminated in the 1976 Act spans over twenty years. The legislative history is unusual in

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41 17 U.S.C. § 203.

42 *Compare* 17 U.S.C. § 203(b)(1) *with* § 304(c)(6)(A).

43 17 U.S.C. §§ 203(a), 304(c).

44 17 U.S.C. § 203(a)(3). If the grant covers the right of publication of the work, then the section provides for termination 35 years after the date of publication or 40 years after the date of execution of the grant, whichever term ends earlier. *Id.*

45 *E.g.*, Copyright Law Revision Part 5, *supra* note 34, at 171; H.R.Rep.No. 1476, *supra* note 34, at 140, *reprinted in* [1976] U.S. Code Cong. & Ad.News 5756; H.R.Rep.No. 83, 90th Cong., 1st Sess. 10 (1967) [hereinafter cited as H.R.Rep.No. 83]; Supplementary Report, *supra* note 34, at 95.

that Congress, in 1955, turned to the Register of Copyrights and the Copyright Office (individually or collectively the "Office") to lay the groundwork for revision of the copyright law. The Office drafted the first revision bills that were introduced in Congress based on a series of studies specifically authorized by Congress for the copyright law revision, extended discussions with a panel of experts and interested parties, and a preliminary draft revision bill (the "Preliminary Draft").[46] All its draft bills contained termination provisions and derivative works exceptions. Extensive hearings were held in Congress on the last bill drafted by the Office, the so-called 1965 Revision Bill.[47] While bills continued to be introduced and additional hearings held, in the main, debate over termination and the Exception ceased.[48] The termination provisions in the 1965

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46 Copyright Office, 88th Cong., 2d Sess., Copyright Law Revision, Part 1, Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments 1-36 (Preliminary Draft)(H. Judiciary Comm. Print 1964) [hereinafter cited as Copyright Law Revision Part 1]. The Office published 34 studies culminating in 1961 in the *Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law*. Register of Copyrights, 87th Cong., 1st Sess., Report on the General Revision of the U.S. Copyright Law (H. Judiciary Comm. Print 1961) [hereinafter cited as 1961 Report]. The 1961 Report contained the Register's tentative recommendations for revising the copyright law. The Office conducted panel discussions from 1961 to 1964 in which representatives of the various interests affected by the copyright law participated. The Office thereafter drafted three successive draft revision bills, the so-called Preliminary Draft, the 1964 Revision Bill (H.R. 11947, 88th Cong., 2d Sess. (1964); S. 3008, 88th Cong., 2d Sess. (1964)), and the 1965 Revision Bill (H.R. 4347, 89th Cong., 1st & 2d Sess. (1965); S. 1006, 89th Cong., 1st Sess. (1965)).

47 H.R. 4347, 89th Cong., 1st & 2d Sess. (1965); S. 1006, 89th Cong., 1st Sess. (1965); *see* Hearings on H.R. 4347, 5680, 6831, 6835 Before Subcomm. No. 3 of the House Judiciary Comm., 89th Cong., 1st Sess. (1965) [hereinafter cited as Hearings on H.R. 4347]; Hearings on S. 1006 Before the Subcomm. on Patents, Trademarks, and Copyrights of the Sen. Judiciary Comm., 89th Cong., 1st & 2d Sess. (1965-1966) [hereinafter cited as Hearings on S. 1006].

48 The cessation of what had been vociferous debate over the termination provisions was specifically recognized in the subsequent legislative

Revision Bill were enacted in substantially the same form in the 1976 Act; the derivative works exceptions in the 1965 Revision Bill and the 1976 Act are identical.[49] There is no indication that either the drafters in the Copyright Office of these provisions or the Congress specifically considered the Exception with respect to music publishers. In all of the Office's panel discussions and reports, and all of the hearings, reports and other legislative materials regarding the various bills introduced in Congress, there is no discussion by either the Office or individual members of Congress about the termination of assignments or the derivative works exception specifically as they apply to music publishers. It is an unwarranted assumption that Congress itself ever gave any thought to the issue.[50] In addition, there is no discussion by the Office or by any member of Congress of the general issue of whether the Exception applies to an author's grantee who only authorizes others to make derivative works and is not itself the owner or producer of the derivative works.[51]

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history. *See* H.R.Rep.No. 83, *supra* note 45, at 90; Draft Second Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1975 Revision Bill, ch. 11, at 2 (Oct. 1975) [hereinafter cited as Draft Second Supplementary Report]. Committee reports accompanying subsequent bills adopted the explanation of the termination provisions and the Exception substantially as it appeared in the report accompanying the 1965 Revision Bill. *Compare* H.R.Rep.No. 2237, 89th Cong., 2d Sess. (1966), *with* H.R. Rep. No. 83, 90th Cong., 1st Sess. (1967); S.Rep.No. 473, 94th Cong., 1st Sess. (1975); *and*, H.R.Rep.No. 1476, 94th Cong., 2d Sess. (1976). The subsequent delay in passage of the revision law was the result of cable television and other issues not relevant to the case at bar. *See* Hearings Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the H. Judiciary Comm. on H.R. 2223, 94th Cong., 1st Sess. 105, 109-14, 1780 (1975).

49 *Compare* H.R. 4347, 89th Cong., 2d Sess. §§ 203, 304(c) (1965) *with* 17 U.S.C. §§ 203, 304(c).

50 *Cf. Rose v. Lundy* ___ U.S. ___, ___, 102 S.Ct. 1198, 1201, 71 L.Ed.2d 379 (1982).

51 Mention was made during the early part of the legislative history of a "grantee who has made a derivative work" and the owner of a

With no express statement of legislative intent as to these specific issues, the Court turns for guidance to the purposes underlying the Exception and the statutory scheme generally.[52] The Snyders argue that these policies support the exclusion of music publishers from the protection of the derivative works exception. They press that Congress extended the renewal term of copyright for 19 additional years for the sole benefit of authors, and its recapture under the termination provisions was intended to confer upon authors the exclusive benefit of the extension.

It may readily be acknowledged that the extension period is intended to benefit the author, "the fundamental beneficiary of

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derivative work. *See, e.g.*, H.R.Rep.No. 83, *supra* note 45, at 9, Copyright Office, 88th Cong., 2d Sess., Copyright Law Revision, Part 4, Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law 39 (H. Judiciary Comm. Print 1964) (hereinafter cited as Copyright Law Revision Part 4); Copyright Law Revision Part 3, *supra* note 46, at 278. However, there is no indication that these statements were meant as limitations on the scope of the Exception. They are ambiguous. There was no elaboration and they may only indicate that the speaker was not considering the situation where the grantee and derivative work owner or maker are separate parties. For example, there is no doubt that the scope of the Exception is broader than a "grantee who has made a derivative work," since it extends at least to makers and owners of derivative works who are licensees of the grantee. See text following note 20 *supra*. Alternatively, the reference in the statement to any grantee who has "made" a derivative work may include grantees who authorize others to make the derivative work, as well as those that do so themselves. Moreover, no such statements were included in the committee reports to the 1976 Act. Those reports contain nothing to limit the Exception to owners and makers of derivative works. *See* H.R.Rep.No. 1476, *supra* note 34; S.Rep.No. 473, 94th Cong., 1st Sess. (1975) (hereinafter cited as S.Rep.No. 473); Conference Report, H.R.Rep.No. 1733, 94th Cong., 2d Sess. (1976).

52 *See Rose v. Lundy* ___ U.S. ___, ___, 102 S.Ct. 1198, 1201, 71 L.Ed.2d 379 (1982); *Mitsui & Co. v. American Export Lines, Inc.*, 636 F.2d 807, 811 (2d Cir. 1981); *Barrett v. Bussey & Hawkes, Inc.*, 533 F.2d 941, 947 (2d Cir. 1975) (quoting *Cabell v. Markham*, 148 F.2d 737, 739 (2d Cir.), *aff'd*, 326 U.S. 404, 66 S.Ct. 193, 90 L.Ed. 165 (1945)).

copyright under the Constitution."[53] Protection of authors and their dependents is one of several reasons specifically identified in the committee reports accompanying the 1976 Act for lengthening the duration of copyright.[54] The arguments for granting authors a right of termination are characterized as being especially persuasive as to the extended term, since it represents a completely new property right.[55] However, this does not mean that authors were intended to be the exclusive beneficiaries of the extension. On the contrary, the statute and its legislative history clearly evidence that, where the author has assigned his copyright, Congress intended that in specified situations the benefits of the extension be shared. This intent is manifested by the very Exception, an express limitation upon the reversion of rights to authors upon termination.[56] The Snyders' claim that the termination provisions confer the entire benefit of the extension upon authors alone simply ignores the Exception.[57] It is as much a part of the statute as is the right of reversion. They are inseparable.

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53 H.R.Rep.No. 1476, *supra* note 34, at 140, *reprinted in* [1976] U.S. Code Cong. & Ad.News 5756; S.Rep.No. 473, *supra* note 51, at 123.

54 H.R.Rep.No. 1476, *supra* note 34, at 134-36, *reprinted in* [1976] U.S. Code Cong. & Ad.News 5750-52; S.Rep.No. 473, *supra* note 51, at 117-19. Other arguments for lengthening the term of copyright included in these reports were that too short a term restrains dissemination of the work by publishers and other users, and that lengthening the term would provide the benefits of uniformity with foreign laws, which generally have adopted the longer term of life of the author plus 50 years.

55 H.R.Rep.No. 1476, *supra* note 34, at 140, *reprinted in* [1976] U.S. Code Cong. & Ad.News 5756; S.Rep.No. 473, *supra* note 51, at 123.

56 17 U.S.C. § 304(c)(6).

57 The right to terminate is also subject to other express limitations, thus further manifesting Congress' concern about interests other than authors. For example, the Office first proposed that assignments terminate automatically. *See* 1961 Report, *supra* note 46, at 58, 90-94; Copyright Law Revision Part 3, *supra* note 46 (Preliminary Draft § 16(a) (Alternative A)). As enacted, the termination of grants is

The Snyders also ignore express statements in the legislative history indicating that the termination provisions represent an accommodation of the various interests involved. These statements show that while the provisions are intended to benefit authors and their families by giving them an opportunity to share in the benefits of the extended term, other interests were also recognized. The statements form a consistent theme throughout the history. For example, in its initial report to the House Judiciary Committee (the "1961 Report"), the Office described the interest of the authors that should be protected by the copyright laws not in absolute terms, but as "a *fair share* of the revenue to be derived from the market for their works."[58] Consistent with this notion, the 1961 Report recommended the extension of the renewal term and introduced the termination provisions as follows:

> We believe there would be little justification for lengthening the term unless the author or his heirs were to receive some benefit from it. At the same time, the interests of their assignees must also be considered.[59]

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optional and requires an affirmative act of serving notice. 17 U.S.C. § 304(c)(4). Otherwise, the grant continues in effect for the extended renewal term, unless the grant itself provides differently. § 304(c)(6)(F). In addition, the section gives the original grantee some advantage over others in recognizing for terminated rights. See § 304(c)(6)(D).

58 1961 Report, *supra* note 46, at 8 (emphasis added).

59 *Id.* at 57-58. As explained more fully below, the Office went on to recommend that assignments terminate "if the author or his heirs would otherwise receive no benefit from the lengthened term." However, as long as they received some royalties or other revenues under the assignment during the extended term, the assignment would not terminate. *Id.* at 58. This limitation of reversions to lump sum transfers was later replaced with the derivative works exception and other provisions limiting the effect of termination. See text at notes 71-74 *infra*.

In subsequent reports, the Office continued to describe termination in terms of an accommodation of the various interests involved.[60]

The House committee report accompanying the 1965 Revision Bill[61] and those accompanying subsequent bills,[62] including a bill that finally passed,[63] adhered to this conception of termination. The description of the termination provisions in all of these reports is substantially the same. Each report described section 304(c) as a close counterpart of section 203,[64] and each describes section 203 as follows:

> Section 303 reflects a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved.[65]

In discussing section 304(c) each report asks, not whether all rights should revert to the author or his dependents during the extended term, but only "whether, in a case where their rights

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60 *See* Supplementary Report, *supra* note 34, at 71; Draft Second Supplementary Report, *supra* note 48, ch. 11, at 10 (quoted in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484, 498 n.11 (2d Cir.), *cert. denied*, 431 U.S. 949, 97 S.Ct. 2666, 53 L.Ed.2d 269 (1977)).

61 H.R.Rep.No. 2237, 89th Cong. 2d Sess. (1966) [hereinafter cited as H.R.Rep.No. 2237].

62 *E.g.*, H.R.Rep.No. 83, *supra* note 45; S.Rep.No. 983, 93d Cong., 2d Sess. (1974) [hereinafter cited as S.Rep.No. 983].

63 H.R.Rep.No. 1476, *supra* note 34; S.Rep.No. 473, *supra* note 33.

64 H.R.Rep.No. 1476, *supra* note 34, at 140, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5756; S.Rep.No. 473, *supra* note 33, at 123; S.Rep.No. 983, *supra* note 62, at 171; H.R.Rep.No. 83, *supra* note 45, at 108; H.R.Rep.No. 2237, *supra* note 61, at 136.

65 H.R.Rep.No. 1476, *supra* note 34, at 124, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5740; S.Rep.No. 473, *supra* note 33, at 108; S.Rep.No. 983, *supra* note 62, at 154; H.R.Rep.No. 83, *supra* note 45, at 90 (identified as § 203 "of the present bill"); H.R. 2237, *supra* note 61, at 119 (identified as § 203 "of the extended bill").

have already been transferred, the author or the dependents of the author should be given a chance to benefit from the extended term." In answering the question, each report describes section 304(c) as serving merely to provide the author with "an opportunity to share in [the extended term]."[66] These statements further undermine the Snyders' claim that all benefits are intended to revert to the author upon termination.

The Snyders' claim also ignores the purposes of the termination provisions. These provisions were introduced in response to the problem of unremunerative grants of copyright by authors.[67] Because of the impossibility of predicting the commercial value of a work upon its creation and because of the weak bargaining position of authors, they sometimes assigned their copyrights in return for very little remuneration, such as small lump sum payments or inadequate royalty rates, and were thus prevented from sharing fairly, if at all, in the rewards from works that later became commercial successes.[68] The termination provisions give authors an opportunity to renegotiate in the light of more knowledge as to the value of their works, and thereby obtain a fair share of the rewards from their works.[69] The right of termination is especially important

66 H.R.Rep.No. 1476, *supra* note 34, at 140, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5756; S.Rep.No. 473, *supra* note 51, at 123; S.Rep.No. 983, *supra* note 62, at 173; H.R.Rep.No. 83, *supra* note 45, at 107-08; H.R.Rep.No. 2237, *supra* note 61, at 136 (the last four reports refer to "his dependents" rather than "the dependents of the author").

67 *See, e.g.*, H.R.Rep.No. 1476, *supra* note 34, at 124, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5740; S.Rep.No. 473, *supra* note 51, at 108.

68 *See id.*

69 The termination provisions were by no means the first attempt by Congress to deal with unremunerative transfers. Such transfers have constituted an enduring problem under the copyright laws. The 1909 Act sought to protect authors from unremunerative transfers by splitting the period of copyright into an original *and* a renewal term. This was supposed to provide authors with an opportunity at the time of renewal to renegotiate their transfers with respect to the renewal term. *See* H.R.Rep.No. 2222, 60th Cong., 2d Sess. 14 (1909) (quoted in *Bartok v. Boosey & Hawkes, Inc.*, 523 F.2d 941, 944 (2d Cir. 1975)); 2 M.Nimmer, *supra*, § 9.02, at 9-23. However, the renewal scheme largely failed to protect authors, because it did not prevent them from assigning their expectancy in the renewal copyright during the original term of the copyright. *See DeSylva v. Ballentine*, 351 U.S. 570, 574, 76 S.Ct. 974, 100 L.Ed. 1415 (1956); *Fred Fisher Co. v. M. Witmark & Sons*, 318 U.S. 643, 63 S.Ct. 773, 87 L.Ed. 1055 (1943). Financial exigencies led many authors during the original term, before they knew the value of their works, to bargain away their expectancy in the renewal term with their interest in the original term. *See London v. Twentieth Century-Fox Film Corp.*, 384 F.Supp. 450, 458 (S.D.N.Y. 1974); 1961 Report, *supra* note 46, at 53.

The problem of unremunerative transfers and the need to replace the renewal scheme of the 1909 Act, were recognized from the start of the copyright revision process in the Office's 1961 Report. The Office proposed termination as the new statutory scheme to permit authors to renegotiate their assignments that do not give them a reasonable share of the economic rewards from their works. *Id.* at 53-55, 92-94. Congress subsequently adopted this proposal by enacting termination provisions and expressly adopting the Office's rationale for termination. *See, e.g.*, H.R.Rep.No. 1476, *supra* note 34, at 124, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5740; S.Rep.No. 473, *supra* note 51, at 108:

> The provisions of section 203 are based on the premise that the reversionary provisions of the present section on copyright renewal (17 U.S.C. sec. 24) should be eliminated, and that the proposed law should substitute for them a provision safeguarding authors against unremunerative transfers.

70 H.R.Rep.No. 1476, *supra* note 34, at 140, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5756; S.Rep.No. 473, *supra* note 51, at 123.

at the beginning of the extension period. One reason for the extension is to provide authors with a new property right and additional benefits beyond those provided under the 1909 Act. Because some authors would otherwise have foreclosed themselves from these benefits by their prior assignments, termination is necessary to give the author a chance to benefit from the extended term.[70]

But to achieve this purpose, Congress did not find it necessary to confer the entire income from the extension period

exclusively upon authors, as the Snyders assert. The legislative history leaves no room to doubt that the drafters of the termination provisions in the Copyright Office and Congress both believed that the problem of unremunerative transfers and the need to afford authors an opportunity to share in the extended term would be adequately addressed by termination provisions of limited scope that ensure that authors can share in these benefits, but which also protect assignees. The Office originally proposed that the recapture rights and termination provisions apply only in instances of grants by authors for lump sum payments and not to those whereby authors shared in the royalties during the life of the copyright.[71] However, the Office abandoned the lump sum limitation as being unworkable; it could be too easily evaded by arranging for nominal royalties, and it would cloud titles.[72] The Office then proposed the derivative works exception specifically to replace the lump sum limitation proposed in its 1961 Report as a limitation on terminations.[73] The Exception was presented as also being part

71 1961 Report, *supra* note 46, at 93; *see id.* at 54.

72 *See* Copyright Law Revision Part 3, *supra* note 46, at 277-78 (statement of Assistant Register of Copyrights for Examining).

73 *See, e.g., id.* at 278 (statement of Assistant Register of Copyrights for Examining).

As an alternative, the Office also proposed in its Preliminary Draft that termination or reformation be limited to cases in which "the profits received by the transferee or his successors in title are strikingly disproportionate to the compensation, consideration, or share received by the author or his successors." *Id.* (Preliminary Draft § 16(a) (Alternative B)). Section 16(b) provided that the author had the burden of proving that "the terms of the transfer have proved to be unfair or grossly disadvantageous to the author." This alternative further demonstrates the drafters' concern about ensuring that authors receive their fair share, while otherwise permitting all interests to share throughout the term of copyright protection. However, the alternative was dropped after meeting with unanimous opposition, not based on its limited scope, but because it was correctly perceived as turning on a vague standard and therefore being a fomenter of litigation. *See, e.g., id.* at 278-80, 282, 292.

of a compromise between the interests of authors and their assignees that preserved the basic proposal of the 1961 Report to permit authors to renegotiate unremunerative transfers, but which in practice would work better than the lump sum limitation to give the author or his dependents a real opportunity to benefit from the extension without being unfair to assignees.[74] Significantly, the Exception was further described as "a very important limitation on the right of reversion"[75] where derivative works have been made.

Congress in the 1976 Act adopted the Office's scheme of termination by enacting a derivative works exception that, as noted above, is identical to the one in the Office's 1965 Revision Bill and termination provisions that are substantially the same. Further, the committee reports to the Act expressly affirm the understanding that termination would achieve its objective with provisions of limited scope, and that assignees would also be protected. For example, the reports characterize termination as recognizing the problems and legitimate needs of all interests involved,[76] and they describe the operation of the Exception as "[a]n important limitation on the rights of a copyright owner under a terminated grant."[77] They characterize termination under section 304(c) in particular merely as a means for giving authors "an opportunity to share" in the

74 Supplementary Report, *supra* note 34, at 71-72, 76.

75 *Id.* at 76.

76 H.R.Rep.No. 1476, *supra* note 34, at 124, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5740; S.Rep.No. 473, *supra* note 51, at 108.

77 H.R.Rep.No. 1476, *supra* note 34, at 127, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5743; S.Rep.No. 473, *supra* note 51, at 111. This passage describes the Exception under § 203. There is no reference in these reports to the Exception under § 304(c), but the two exceptions are identical and the two termination sections are described as close counterparts. H.R.Rep.No. 1476, *supra*, at 140; S.Rep.No. 473, *supra*, at 123.

extended term.[78] Thus, in enacting the termination provisions with the Exception, Congress limited the benefits that revert to authors upon termination where derivative works have been prepared before termination, and it provided for a continuing sharing of these benefits under the terms of the grant. Accordingly, the legislative history negates the Snyders' claim that the purpose of the termination provision was to confer the entire benefit of the extended term upon authors or their successors.

Moreover, an interpretation of the Exception which permits the inclusion of music publishers as participants in the benefits of the 19-year extension does not defeat the purposes of the statute. It does not prevent authors from benefitting from the extension or encroach on their share of the benefits under the statute. Congress defined the author's share in terms of the rights that revert under the termination provisions, as limited by the Exception.[79] Under the limitation, as to old derivative works, the author is entitled to the share of royalties that he received prior to termination under the terms of his grant. Additional benefits from old derivative works beyond those stipulated in the grant are not part of the protection conferred upon the author under the termination provisions.[80] Indeed,

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78 H.R.Rep.No. 1476, *supra* note 34, at 140, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5756; S.Rep.No. 473, *supra* note 51, at 123.

79 17 U.S.C. § 304(c).

80 The fact that authors receive no additional benefits from their assignees' continued utilization of old derivative works after termination was not lost on the participants in the revision process. The Authors League of America, Inc., an authors' trade association, argued that the Exception should be amended so that authors could receive new benefits from old derivative works beyond those that might be provided for under the terms of the authors' grants. The League submitted written proposals to amend the Exception to condition continued use of old derivative works on the payment of a minimum royalty of 5% of the transferee's gross receipts or the compensation provided in the grant, whichever is greater. The League objected particularly to the denial to authors of any income from derivative works where the author had assigned his rights in the

had Congress not granted the 19-year extension, the Song would have entered the public domain and neither the author nor the music publisher would have received or shared royalties. Thus permitting the music publisher to share in royalties derived from old derivative works takes nothing from the author that he would have had except for the Congressional extension.

Congress ensured that authors would share in the extension by providing that upon termination all rights as to new derivative works revert to the author. Accordingly, the author is free to negotiate new grants on more advantageous terms for the making and distribution of new derivative works based on his underlying work. This is a valuable right of reversion; if the copyright in the underlying work has remained valuable for 56 years until the beginning of the extended term, then the work has become a classic and is likely to remain in demand. In fact, regaining this right to "re-exploit" the work prospectively with new derivative works, including remake rights, was of special concern to the authors' representatives participating in the revision process.[81] The statutory scheme embodied in the ter-

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underlying work for a lump sum. Copyright Law Revision Part 5, *supra* note 34, at 242-45,251. In such a case, despite termination, the author receives nothing for the continued utilization of old derivative works during the extended term since the Exception permits these derivative works to continue to be utilized under the terms of the author's grant and the grant does not provide for any royalties, even in this extreme situation, the termination provisions do not afford the authors any new right to royalties from old derivative works. Six months after the League made its proposal the Office issued its Supplementary Report to accompany the 1965 Revision Bill. However, the Authors League's proposals were not acknowledged and the Exception remained substantially unchanged.

81 *See, e.g.*, Copyright Law Revision Part 4, *supra* note 51, at 48-49 (statement of I. Karp of the Authors League of America, Inc.); Copyright Law Revision Part 3, *supra* note 46, at 286-87, 296 (statements of I. Karp and Leon Kellman, counsel to American Guild of Authors and Composers); Copyright Office, 88th Cong. 1st Sess. Copyright Revision, Part 2. Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 258 (H. Judiciary Comm. Print 1963).

mination provisions does not distinguish among grantees and vary the protection afforded authors based on the particular grantee or its particular licensing arrangements. Permitting Mills to continue to receive its share of royalties from old derivative works under the terms of the Snyder Grant during the extension does not deprive the Snyders of either their continuing interest under the grant with respect to old derivative works or the complete reversion of their rights as to new derivative works. Thus, construing the Exception to include Mills is consistent with the statutory scheme. The music publisher need not be excluded to provide the author or his successors with their benefits under the termination provisions.

In addition, the policies underlying the copyright laws do not require Mills' exclusion.[82] Experience suggests that these policies are promoted by including Mills within the Exception's protection. As reflected in the Constitution,[83] the fundamental purpose of the copyright laws is to encourage the production and dissemination of artistic works for the general public good.[84] One reason why the 1976 Act extended the term of copyright protection and provided additional benefits to authors beyond those provided under the 1909 Act, was to help

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82 *Cf. North Haven Bd. of Educ. v. Bell*, ___ U.S. ___, ___, 102 S.Ct. 1912, 1920, 72 L.Ed.2d 299 (1982) (Powell, J., dissenting) ("Only rarely may legislative history be relied upon to read into a statute operative language that Congress itself did not include. To justify such a reading of a statute, the legislative history must show clearly and unambiguously that Congress did intend what it failed to state (footnote omitted)").

83 U.S.Const. art. I, § 8, cl. 8.

84 *See Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156, 95 S.Ct. 2040, 2044, 45 L.Ed.2d 84 (1975); *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158, 68 S.Ct. 915, 92 L.Ed. 1260 (1948); *MCA, Inc. v. Wilson*, 677 F.2d 180, 183 (2d Cir. 1981); *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 23 (2d Cir. 1976); 1 M. Nimmer, *supra*, § 103[A], at 1-30.

encourage their creative efforts and help reward them for their contribution to society.[85]

Congress was also concerned about the dissemination of creative works by publishers and other users.[86] Artistic production does not end with completion of a creative work by the artist. The public interest depends on the broad public availability of the works.[87] Copyright protection, in addition to encouraging authors, also induces publishers and other distributors upon assignment of copyrights by authors to invest their resources in bringing creative works to the public by the prospect of a profitable return. The sharing of returns provided to publishers by the Exception encourages these activities, and thereby contributes to the widest possible dissemination of works of authorship.

In the music industry, music publishers play an integral part in the dissemination of musical works. Songwriters and music publishers in effect form a partnership. The songwriters assign their copyrights to music publishers and rely on them for dissemination of their songs.[88] As with other grantees, permit-

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85 *See* H.R.Rep.No. 1476, *supra* note 34, at 134-35, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5750-51; H.R.Rep.No. 83, *supra* note 45, at 3; H.R.Rep.No. 2237, *supra* note 61, at 32.

86 *See, e.g.*, H.R.Rep.No. 1476, *supra* note 34, at 134, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5750; S.Rep.No. 473, *supra* note 51, at 117 ("In some cases the lack of copyright protection [under the 1909 Act] actually restrains dissemination of the [author's] work, since publishers and other users cannot risk investing in the work unless assured of exclusive rights"); 17 U.S.C. § 801(b)(1)(A) (statutory royalty rate should be calculated "[t]o maximize the availability of creative works to the public").

87 *Twentieth Century Fox Music Corp. v. Aiken*, 422 U.S. 151, 156, 95 S.Ct. 2040, 2044, 45 L.Ed.2d 84 (1975).

88 *See* text at note 5; W. Blaisdell, The Economic Aspects of the Compulsory License, 86th Cong., 1st Sess., Copyright Law Revision, Studies Prepared for the Subcomm. on Patents, Trademarks, and Copyrights of the Senate Judiciary Comm. 93-95, 99-100 (Comm. Print 1960). It was made clear throughout the legislative history that

ting music publishers to share in the extended term offers opportunity for additional returns, thereby encouraging them to invest further in copyrighted musical works and thus contribute further to the dissemination of such works. Accordingly, allowing music publishers to share in the extended term by including them within the Exception is consistent with the purpose of the copyright laws of encouraging the availability of a wide variety of creative works.

No valid reason has been advanced for excluding music publishers from sharing the benefits of the extended term when other grantees are permitted to share under the terms of a grant. The Snyders argue that it is the producer of the derivative work, in this case the record company, who makes the greatest investment in the derivative work and whose efforts principally contribute to its commercial success. Yet, even they do not argue that the music publisher does not contribute to

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this pattern is the norm in the music industry. For example, representatives of songwriters testified to their reliance on music publishers during hearings on S. 597. Senator Burdick asked Burton Lane, President of the American Guild of Authors and Composers (AGAC), how he justified sharing mechanical royalties with music publishers, who have nothing to do with the creation of a song. Mr. Lane responded:

> . . . We have found through many years of experience that most writers cannot take the time to exploit the songs they write. Every moment is precious to them in order to create. So we have found it necessary to share our royalties with the publishers whose job it is to publish and exploit the songs we write. It is a partnership arrangement which has worked very well through the years.

Hearings Before the Subcomm. on Patents, Trademarks, and Copyrights of the Senate Judiciary Comm. on S. 597, 90th Cong., 1st Sess. 882 (1967) [hereinafter cited as Hearings on S.597]. *Accord, id.* at 377-78, 883; Hearings on H.R. 4347, *supra* note 47, at 286-88. Witnesses disagreed as to the extent of the music publishers' promotional role as compared to that of the record companies, but all agreed that music publishers at least serve administrative and other service functions, and that they performed promotional and marketing functions in the past. *Compare* Hearings Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the H. Judiciary Comm. on H.R. 2223, 94th Cong., 1st Sess. 1400 (1975) *with id.* at 1651-52.

the promotion of derivative works by investing its efforts in the exploitation of the underlying work.[89] More important and aside from this, Congress did not distinguish among grantees based on the degree of their contribution; indeed, no distinction was made among grantees. It is then not for the Court to single out music publishers to whom authors assigned their renewal copyright and read into the statute their exclusion from the benefits of the derivative works exception.

The Snyders in pressing their claim rely heavily upon statements made by representatives of music publishers during panel discussions held by the Office. They contend that the music publishers understood that the termination provisions in the Office's draft revision bills would deny all revenue to publishers after termination, despite the derivative works exception; that the publishers made "repeated representations" of their understanding,[90] and that it was accepted by all the other participants of the panel discussions. Finally, they contend that Congress also adopted this understanding of the provisions when they were enacted into law eleven years later. A detailed study of the voluminous record of statements, arguments and counter-arguments made by representatives of diverse interests—the motion picture industry, record companies, music publishers, book publishers, authors, composers, screen writers and other interested groups and individuals—demonstrates that the statements relied upon by the Snyders essentially reflect only the individual views of the speaker and are not useful in ascertaining the legislative intent.

The "repeated representations" relied upon by the Snyders consist of several statements by two of a number of representatives of music publishers either made orally at the panel discussions or submitted to the Office by letter.[91] The statements of all participants, written and oral, were contained in

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89 Snyders' Reply Memorandum of Law at 2.

90 Snyders' Memorandum of Law at 38.

91 *Id.* at 23-29, 33, 34.

transcripts that were issued as committee prints of the House Judiciary Committee.[92] Unless a committee indicates its approval or disapproval, information from an outside source reprinted in a committee print is ordinarily not helpful legislative history since it is not necessarily either representative of or contrary to the committee's view.[93]

This is an unusual case, however, because, as already noted, Congress first turned to the Copyright Office to lay the groundwork for the general revision of the copyright laws.[94] The panel discussions, at which the statements relied upon by the Snyders were made, were used by the Office to compromise differences among the various interest groups and to help it to prepare its draft revision bills, which formed the basis for the 1976 Act. Nevertheless, the House Judiciary Committee, through its chairman, expressly disavowed the statements made in the committee prints:

> In issuing this material the committee neither approves nor disapproves any of the views expressed therein. The material is issued for the information and convenience of persons interested in U. S. copyright law revision.[95]

Moreover, even if this Court were to treat the statements made at the panel discussions as equivalent to statements made directly before the Committee at its own hearings, such testimony would not be a reliable gauge of legislative intent

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92 Copyright Law Revision Part 5, *supra* note 34, at 154, 222; Copyright Law Revision Part 4, *supra* note 51, at 39-40; Copyright Law Revision Part 3, *supra* note 46, at 283, 284-85, 296-97, 318-19.

93 2A C. Sands, Sutherland's Statutory Construction § 48.06, at 203 (4th ed. 1973).

94 H.R.Rep.No. 1476, *supra* note 34, at 47, *reprinted in* [1976] U.S. Code Cong. & Ad.News 5660.

95 Copyright Law Revision Part 4, *supra* note 51, at III (Forward by Representative Celler, Chairman, House Committee on the Judiciary); similarly, *see* Copyright Law Revision Part 5, *supra* note 34, at III; Copyright Law Revision Part 3, *supra* note 46, at III.

because the views expressed by witnesses are not necessarily the same as those of the legislators ultimately voting on the bill.[96] Accordingly, statements made at committee hearings by representatives of various interests are entitled to little if any weight in interpreting Congressional intent.[97]

The Snyders contend, however, that special circumstances in this case warrant attaching persuasive force to these comments. They argue that the statements were the basis of an agreement between music publishers and songwriters as to the meaning of the derivative works exception; that the music publishers' representations as to termination provisions and subsequent endorsement of them induced the songwriters to accept the provisions without change, and that the parties presented their agreement to Congress; and finally, that Congress accepted the termination provisions without changes material here and with no change to the Exception, in reliance upon the agreement and the music publishers' stated interpretation of the Exception.

There is no affirmative evidence in the legislative history that Congress ever intended to incorporate any such alleged agree-

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96 *See Austasia Intermodal Lines, Ltd. v. Federal Maritime Comm'n*, 580 F.2d 642, 645 (D.C. Cir. 1978). *Accord, United States v. Public Utilities Comm'n of Cal.*, 345 U.S. 295, 319, 73 S.Ct. 706, 719-720, 97 L.Ed. 1020 (1953) (Jackson, J., concurring); 2A C. Sands, Sutherland's Statutory Construction § 48.10, at 210 (4th ed. 1973) (statements urging changes based on a certain assumed interpretation of the bill which were not adopted are "very weak" evidence that legislature adopted the assumed interpretation, "[i]n view of the possibility that the committee believed the changes were unnecessary because the assumed interpretation was erroneous.")

97 *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 204 n.24, 96 S.Ct. 1375, 1386 n.24, 47 L.Ed.2d 668 (1976); *McCaughn v. Hershey Chocolate Co.*, 283 U.S. 488, 493-94, 51 S.Ct. 510, 512, 75 L.Ed. 1183 (1931); *March v. United States*, 506 F.2d 1306, 1314 n.30 (D.C.Cir. 1974); *Pacific Ins. Co. v. United States*, 188 F.2d 571, 572 (9th Cir.) (per curiam), *cert. dismissed*, 342 U.S. 857, 72 S.Ct. 85, 96 L.Ed. 645 (1951); *cf. SEC v. Robert Collier & Co.*, 76 F.2d 939, 941 (2d Cir. 1935).

ment into these provisions.[98] It is not referred to in any speech by any member of Congress or contained in any report nor is any reference thereto to be found in any Congressional Record. Had in fact Congress intended to incorporate such an agreement, it would have been a simple matter to insert a phrase in the derivative works exception that expressed that result. Instead, the Snyders must rely on Congress' silence as signifying both its understanding of and acquiescence in the agreement. However, except for minor changes to the statutory language not relevant here,[99] Congress was never apprised of the substance of the parties' alleged agreement. No reference was made to the previous statements of music publishers relied upon by the Snyders, nor was any statement made to Congress that music publishers agreed to or acknowledged their exclusion from the derivative works exception.[100] Indeed, the Sny-

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98 All that appears is that committee reports accompanying the 1965 Revision Bill and a subsequent bill note the Committee's awareness of an "accommodation" among affected interests. H.R.Rep.No. 83, *supra* note 45, at 90; H.R.Rep.No. 2237, *supra* note 61, at 119. The reports refer to the summary of this development in the Office's Supplementary Report. The Supplementary Report describes the Office's recommendations in the 1961 Report, the arguments subsequently made for and against termination, and the termination provisions as drafted by the Office in the 1965 Revision Bill. The Report makes no mention of the agreement. Supplementary Report, *supra* note 34, at 71-76.

By contrast, where Congress did intend to incorporate agreements among interested parties, the agreements were incorporated into committee reports and expressly endorsed. H.R.Rep.No. 1476, *supra* note 34, at 67-72, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5681-86.

99 *See* Hearings on H.R. 4347, *supra* note 47, at 129-30, 134-37.

100 Instead, witnesses at Congressional hearings merely endorsed the provisions or told the committees conducting the hearings that a compromise had been arranged between the parties regarding the termination provisions, and that "[t]hat arrangement, in substance, was effectuated in the bill." Hearings on S. 597, *supra* note 88, at 74; *see, e.g., id.* at 44 (statement of I. Karp, counsel to Authors League of America, Inc.):

ders' claim that the parties reached an agreement to make the Exception inapplicable to music publishers is not supported by the record. It is sheer conjecture to suggest that Congress adopted a particular interpretation of the statute that purportedly reflected an agreement of opposing interests, but that was never presented to it. The argument implies that Congress surrendered its legislative prerogative to private interests in disregard of the overall public interest. At the Office's panel discussions, the music publishers as well as the motion picture producers, book publishers, record companies, broadcasters, composers and authors each had their own separate interests that they were seeking to protect. Each had lawyers presenting their respective views—advocates for each group advanced the interests of his client and sought to repel that of the other side. To accept the argument of these advocates as reflecting Congressional intent substitutes private for public intent in the enactment of legislation.

Moreover, the music publishers did not make "clear, uniform and repeated" statements of their understanding of the Excep-

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> One of the problems at the outset of copyright reform was the problem of terminating transfers granted for a long term. We say nothing more about this here. We have a short comment in our written statement, because this is one of the issues that has been completely compromised, as the House report points out. I would only ask, as a word of caution, that having assumed there is no problem, should others appear to oppose this, we can refer to our House statement and ask that that be incorporated solely by reference in your committee's record.

The comment in the Authors League's written statement referred to by Karp consisted only of the following:

> As the House Report [No. 2237, *supra* note 61] notes (p. 119 [*see* note 98 *supra*]) this clause represents a compromise between those concerned with the problem. The Section appears to have been accepted by all interested groups. However, should there be any opposition to it, we respectfully urge your Committee to consider our views on the problem set forth in our statement to the House Committee.

Id. at 57. Similarly, *see id.* at 643; Hearings on H.R. 4347, *supra* note 47, at 129-30, 134-37, 296, 998; Hearings on S. 1006, *supra* note 47, at 192.

tion during the panel discussions, as the Snyders allege.[101] Instead there were only several statements with respect to the Exception of more or less ambiguous significance made by two witnesses representing two music publishing groups. These statements were part of the general debate still raging at that time over reversion and termination. The music publishers attacked the curtailment of rights that they would suffer under the termination provisions proposed by the Office, even if protected by the Exception.[102] Most of the statements relied upon by the Snyders attack such curtailment of the assignee's rights without making any reference to the Exception at all, or to the purported understanding that all royalties revert to the author.[103] In the remaining three statements upon which the Snyders rely, two attorneys representing music publishers' associations protested the efforts to exclude music publishers from any income upon termination. A fair reading of these statements taken in context underscores that the music publishers were making a broad attack on the reversion of

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101 Snyders' Reply Memorandum of Law at 10.

102 For example, under the 1909 Act, it was possible to obtain assignments of both the original term and the expectancy in the renewal term for the full 56 years of copyright; while the Office's proposed revision bills extended the duration of copyright beyond 56 years, section 203 provided that new assignments would be terminable after only 35 years.

103 *See, e.g.*, Copyright Law Revision Part 5, *supra* note 34, at 222 (statement of Julian Abeles, counsel for Music Publishers Protective Association and Harry Fox):

> In the case of a music publisher, substantial efforts and expense are involved in the promotion and exploitation of a composition. Nevertheless, very few of them ever survive and become standards. Why then should the subsequent transferee reap the benefits of such few that do survive, through no efforts or expenditure on his part? Why should the term be extended for the benefit of the author and yet curtailed to the detriment of the material interests of the copyright proprietor?

Similarly, *see id.* at 154; Copyright Law Revision Part 4, *supra* note 51, at 39-40; Copyright Law Revision Part 3, *supra* note 46, at 283.

assignees' rights upon termination, and their rhetorical questions and predictions of dire results that termination would visit upon music publishers were made to reinforce their attacks.[104] These "free-wheeling utterances,"[105] some made during the very heat of controversy, provide a shallow base on which to divine Congressional intent.[106] The Supreme Court has repeatedly cautioned against relying upon the views of legislative opponents in interpreting a statute, for "[i]n their zeal to defeat a bill, they understandably tend to overstate its reach."[107] Surely, if the opposing views of the members of

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104 In addition, one statement was made within a discussion of re-exploitation of underlying works, thus suggesting that the statement was addressed only to rights as to new derivative works, which, all parties agree, revert to the author without limitation by the Exception. *See* Copyright Law Revision Part 3, *supra* note 46, at 296-97 (statement of Philip Wattenberg).

105 *United States v. Public Utilities Comm'n of Cal.*, 345 U.S. 295, 321, 73 S.Ct. 706, 720, 97 L.Ed. 1020 (1953) (Frankfurter, J., concurring).

106 *Cf. SEC v. Robert Collier & Co.*, 76 F.2d 939, 941 (2d Cir. 1935) (L. Hand, J.) ("[i]t would indeed be absurd to suppose that the testimony of a witness by itself could be used to interpret an act of Congress").

107 *NLRB v. Fruit Packers*, 377 U.S. 58, 66, 84 S.Ct. 1063, 1968, 12 L.Ed.2d 129 (1964) ("The fears and doubts of the opposition are no authoritative guide to the construction of legislation. It is the sponsors that we look to when the meaning of the statutory words is in doubt," quoting *Schwegmann Bros. v. Calvert Distillers Corp.*, 341 U.S. 384, 394-95, 71 S.Ct. 745, 750-751, 95 L.Ed. 1035 (1951)); *see, e.g., Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 204 n.24, 96 S.Ct. 1375, 1386 n.24, 47 L.Ed.2d 668 (1976). The Snyders cite *Arizona v. California*, 373 U.S. 546, 583 n. 85, 83 S.Ct. 1468, 1489 n.85, 10 L.Ed.2d 542 (1963), *Pariane Sportswear Co. v. Weinberger*, 513 F.2d 835, 837 (1st Cir.), *cert. denied sub nom. Pariane Sportswear Co. v. Mathews*, 423 U.S. 925, 96 S.Ct. 269, 46 L.Ed.2d 252 (1975), and *United States v. Hunter*, 324 F.Supp. 529, 532-33 (D.Md.1971), *aff'd*, 459 F.2d 205 (4th Cir.), *cert. denied*, 409 U.S. 934, 93 S.Ct. 235, 34 L.Ed.2d 189 (1972), for the proposition that statements of opponents of a bill are relevant and useful, especially where proponents made no response to the opponents' criticisms. These cases are distinguishable, however, because in all three the opponents were members of Congress, not witnesses at

Congress are cautioned against in the interpretation of legislation, then ever greater caution is warranted as to the opposing and at times antagonistic views of advocates of private interests who bear no responsibility for the passage of legislation. The Snyders' argument depends on a long chain of speculation that is grounded on a few statements by two witnesses of varying ambiguity, and does not provide a reliable indicator of legislative intent.

The Court finds that the policies of the termination provisions and the Exception, as revealed by the statute and its legislative history, are consistent with the perpetuation of the royalty arrangement with regard to old derivative works under the terms of the grant after termination. Since this result is also consistent with the statutory language, the Court holds that, under the Exception, Mills continues to be entitled to royalties received from the distribution of phonorecords made from old derivative works by reason of the Snyder Grant to Mills, notwithstanding the termination.

III.

Having found that Mills is protected by the Exception, the Court must resolve the parties' disagreement over the scope of that protection. The parties' dispute centers about two issues.

A. *Relicensing of Old Sound Recordings*

The first issue relates to whether, after termination, Mills or the Snyders have the right to relicense sound recordings that were prepared under licenses issued by Mills before termina-

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hearings. There is more reason to expect Congressional proponents to respond to fellow members of Congress having different interpretations of a bill than to witnesses. For one thing, the proponents may be concerned that their fellow members' contrary interpretation was influencing them to vote against the bill.

tion.[108] The licenses issued by Fox as agent for Mills limited the record company to preparation of a sound recording of the Song for reproduction on one particular release—that is, for reproduction on a particular album, audio tape, "single" record, or other phonorecord; in substantial form these licenses specify that they are "limited to one particular recording of said copyrighted work as performed by the artist and on the phonorecord number identified" in the license.[109] If the record company desires the sound recording to be included in a new release, it must obtain a new license. For example, a record company may have obtained a license for a certain artist to record the Song and to include that sound recording in an album of the artist's songs. If the record company later wishes to re-release precisely the same sound recording of the artist's performance of the Song as a "single" or as part of a new album—such as the artist's "greatest hits" album—it must obtain a new license. The issue is whether, where a sound recording was first licensed by Mills and prepared prior to termination of the grant, Mills or the Snyders is the party authorized to license new releases of the same sound recording after termination.

The Snyders concede that "a new release of an old recording is not a new derivative work."[110] In fact, it is not a derivative work at all. The re-release of the same sound recording by a record company does not constitute a derivative work whether

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108 The Court notes that its determination in this action is solely with respect to the respective claims of Mills as the music publisher under the grant from Ted Snyder and the Snyders as statutory heirs of the author who exercised the right of termination. While the Court considered the position of the record companies vis-a-vis the music publisher and the author, the record companies were not parties to this action and the Court does not here decide any claims that they may advance with respect to their rights following termination by an author.

109 *See* Complaint Exhs. C, D; Fox Reply to Mills Counterclaim & Exh. A.

110 Snyders' Memorandum of Law at 47 n.*.

the sound recording is re-recorded as a "single" or on a new album. When a new release of the same sound recording is issued, only the phonorecord embodying the sound recording has changed. The only derivative work is the sound recording, which in the case of a re-release remains the same. Re-recording the same sound recording on a new phonorecord does not contribute sufficient originality to the new release to make it a derivative work in its own right.[111]

Despite its concession, the Snyders deny that the Exception gives Mills any right after termination to authorize new releases of old sound recordings. They argue that Mills, as grantee, cannot license a new use of an old derivative work because the first license it issued in each case was limited to a single use, and the license is part of the "grant" within the meaning of the Exception.[112] Consequently, they contend that continued utilization of old sound recordings "under the terms

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111 *See United States v. Taxe*, 540 F.2d 961, 965 n.2 (9th Cir. 1976), *cert. denied*, 429 U.S. 1040, 97 S.Ct. 737, 50 L.Ed.2d 751 (1977). With respect to re-release on a new album, such as a "greatest hits" album, gathering of previously prepared derivative sound recordings into a new album is a "compilation" under the 1976 Act, rather than a derivative work. *See* 17 U.S.C. § 101 (definition of "compilation"). While there is some overlapping, the two concepts are basically different. A compilation—including the re-release of a sound recording on a new album—consists of the selection and arrangement of preexisting material without any internal changes in the material. By contrast, a derivative work does involve internal changes, in the form of recasting, transforming or adapting the preexisting material. 1 M. Nimmer, *supra*, § 3.02, at 3-4; H.R. Rep.No. 1476, *supra* note 34, at 57, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5670; S.Rep.No. 473, *supra* note 51, at 55; *see* 17 U.S.C. § 101 (definitions of "compilation" and "derivative work").

112 The Snyders make the argument in the alternative to their previous argument that the derivative works at issue were prepared under authority of the compulsory licenses and not the grant and, consequently, "[n]o record producer needs permission of the Snyder defendants, or Mills, or of anyone else to issue a new release of an existing recording of the Song, or even to make a new recording." Snyders' Memorandum of Law at 45.

of the grant" is limited to the single use identified and authorized under the license. According to this view, Mills would be constrained by a contractual self-imposed limitation entirely independent of the author's grant to it. Thus Mills would have eliminated its own unlimited authority under the Snyder Grant to license re-releases of old sound recordings on new phonorecords. The Snyders seek to impose, on the basis of a limitation of use imposed *by* Mills on its own licensees, a limitation on Mills that was never part of Ted Snyder's Grant. Such a result is illogical.[113]

The Court finds that Mills may continue to license new releases of old derivative works that it first licensed prior to termination of the Snyder Grant with royalties to be shared as before termination. This result is consistent with the language of the Exception. As already found, under that language the sound recordings prepared and licensed before termination fall within the Exception, and as such these recordings "may continue to be utilized under the terms of the grant after its termination."[114] The grant to Mills assigned exclusive ownership of the renewal copyright in the Song, including the right to license new uses of those derivative works that fall within the Exception—in this case, sound recordings first licensed and prepared before termination—and to share the resulting royalties with the author.[115]

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113 The Court has considered all the other contentions made by the Snyders, and they do not require a different result.

114 17 U.S.C. § 304(c)(6)(A).

115 Since the grants from the Authors transferred to Mills exclusive ownership of the renewal copyright in the Song, then under the Exception Mills is entitled to exercise exclusive rights in the Song with respect to old derivative works. The 1976 Act provides specifically for such divisions of the exclusive rights comprised in a copyright. 17 U.S.C. § 201(d)(2). The Act also provides that Mills, as owner of a particular exclusive right, "is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title." *Id.* Thus, the protection and remedies available to the copyright owner may also be claimed by the owner of particular exclusive rights,

B. *Post-Termination Licenses*

The second issue concerns sound recordings prepared before termination, but first licensed after termination. The interpleader fund was generated by two types of licenses. Fifteen licenses were issued by Mills before termination (the "Pre-Termination Licenses"). With respect to these, the Court has determined that Mills is entitled to receive royalties generated during the extension. In addition, there are two instances where sound recordings were prepared prior to termination, but the licenses were issued after termination (the "Post-Termination Licenses"). The issue raised by these Post-Termination Licenses is whether under the Exception Mills can first license after termination a derivative work prepared prior to termination.

Mills argues that issuing a Post-Termination License is consistent with the line expressly drawn by the Exception between pre-termination and post-termination derivative works. Since the derivative works at issue are pre-termination derivative works—that is, a derivative work first "fixed" or "prepared" prior to the termination date—then according to Mills it had the right, even after termination, to issue the license as part of the continued utilization of derivative works under the Exception.

The Court rejects Mills' argument. The line drawn by the two provisions of the Exception is between derivative works prepared under authority of the grant before termination (old derivative works) and "other works" prepared after termination (new derivative works). Mills recognizes that to fall within

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thereby eliminating the incapacity faced by an exclusive licensee pursuant to the 1909 Act, under which the rights comprised in a copyright were indivisible. *See* 3 M. Nimmer, *supra*, § 10.02[C][2], at 10-30. Further, as defined in the 1976 Act, " 'copyright owner,' with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right." 17 U.S.C. § 101. Accordingly, Mills may be identified as the copyright owner on notices of copyright appearing on phonorecords made from old sound recordings. *See* § 402(b)(3).

the Exception pre-termination derivative works must be prepared under the authority, or what it calls the "auspices," of the grant. It suggests that that condition was met here because the sound recordings were "prepared prior to the termination date by a User *in contemplation of obtaining a license* from Mills under authority of the Grant and without knowledge of any impending termination of rights."[116] But "in contemplation of obtaining a license" under authority of the grant is not the same as under authority of the grant. The Exception specifically requires that the "derivative work [be] prepared under authority of the grant before its termination," rather than simply that the derivative work be prepared before termination. Moreover, the amorphous phrase "in contemplation of obtaining a license" leaves an escape hatch that may deprive the author of the benefits of termination. The Court finds that the Exception did not preserve Mills' right to issue the Post-Termination Licenses. The record companies may either avail themselves of compulsory licenses or negotiate licenses from the Snyders, and all royalties corresponding to these sound recordings revert to the Snyders.

Conclusion

The Exception preserves Mills' rights under the terms of the grant to share the royalties from derivative works prepared and licensed by it before termination of the grant. Those royalties in the interpleader fund or otherwise at issue corresponding to such works shall be transferred to Mills for it to divide with the Snyders under the terms of the grant. In addition, under the Exception Mills is entitled to issue licenses for new releases of these old derivative works. The Exception does not preserve any of Mills' rights as to derivative works prepared after termination or those prepared but not licensed by Mills prior to termination. Those royalties at issue corresponding to such works revert to the Snyders, and the Snyders are entitled to

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116 Mills' Memorandum of Law at 6 (emphasis added).

recover under their cross-claim to the extent it consists of such royalties.

Submit judgment in accordance with the foregoing with notice of settlement returnable within seven (7) days upon three (3) days' notice to the opposing side.

So ordered.

Appendix C

§304. Duration of copyright: Subsisting copyrights

(a) Copyrights in Their First Term on January 1, 1978.—Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for twenty-eight years from the date it was originally secured: *Provided*, That in the case of any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or of any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire, the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of forty-seven years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further*, That in the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work, the author of such work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his or her next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of forty-seven years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further*, That in default of the registration of such application for renewal and extension, the copyright in any work shall terminate at the expiration of twenty-eight years from the date copyright was originally secured.

(b) Copyrights in Their Renewal Term or Registered for Renewal Before January 1, 1978.—The duration of any copyright, the renewal term of which is subsisting at any time

between December 31, 1976, and December 31, 1977, inclusive, or for which renewal registration is made between December 31, 1976, and December 31, 1977, inclusive, is extended to endure for a term of seventy-five years from the date copyright was originally secured.

(c) Termination of Transfers and Licenses Covering Extended Renewal Term.—In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by the second proviso of subsection (a) of this section, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, by his widow or her widower and his or her children or grandchildren as follows:

(A) the widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest;

(B) the author's surviving children, and the surviving children of any dead child of the author, own

the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them;

(C) the rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

(4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(6) In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the reversion of rights is subject to the following limitations:

(A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.*

(B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.

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* A similar exception to a termination provision is found in § 203(b)(1) of the Act.

(C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.

RESPONDENT'S

BRIEF

(2)

No. 83-1153

FILED
FEB 13 1984
ALEXANDER L. STEVAS

IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

MILLS MUSIC, INC.,

Petitioner,

—vs.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Harold R. Tyler, Jr.
(*Counsel of Record*)

Frederick T. Davis
Robert P. LoBue

Patterson, Belknap, Webb & Tyler
30 Rockefeller Plaza
New York, New York 10112
(212) 541-4000

Attorneys for Respondents,
Marie Snyder and Ted Snyder, Jr.,
d/b/a Ted Snyder Music Publishing Co.

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Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

The petition for a writ of certiorari to the Court of Appeals for the Second Circuit should be denied for two reasons. *First*, the unanimous decision of the Court of Appeals is consistent with its own decisions and resolves a question that has not been addressed in any other circuit. Indeed, the petition does not seriously address or come close to satisfying the factors listed in Supreme Court Rule 17.1 governing this Court's certiorari jurisdiction. *Second*, the decision of the Court of Appeals is plainly correct. As the panel unanimously found, its interpretation of the Derivative Works Exception of the Copyright Act of 1976 (the "Exception") is compelled by the plain meaning of the statute, its legislative history and the policies of the copyright laws.

Notwithstanding the prolixity of the petition, the legal question in this case is simple: under the Copyright Act of 1976, does a music publisher, after all of his rights in a copyright have been terminated under the termination provisions contained in 17 U.S.C. § 304(c), nonetheless retain the right to receive royalties from the future sales of phonorecords of sound recordings licensed prior to termination, or does the right to receive such royalties revert with the copyright itself back to the original author? Petitioner's argument that the terms of the Exception give the publisher (a terminable assignee) the privilege to continue receiving royalties ignores the statute, its history and its purpose. As set forth more fully herein and as stated by the Court of Appeals, the purpose of the termination provisions of the Act was to benefit authors, while the purpose of the Exception was to benefit creators of derivative works. Music publishers, who are mere middlemen, were never intended to benefit from either the termination provisions or the Exception, and simply have no place in the statutory provisions in question here.

POINT ONE

THE PETITION RAISES NO ISSUE REQUIRING THIS COURT'S REVIEW

Petitioner does not and cannot assert that the decision of the Court of Appeals conflicts with any decision of other courts of appeals or of this Court. Thus, there is no need for further review of this decision. *See* Supreme Court Rule 17.1(a). Sound exercise of this Court's discretion suggests that it await the resolution of further cases in the lower federal courts before deciding whether there is need for it to review the questions presented by this petition.

In any event, petitioner's assertions about the "importance of this case" (Pet. 10) are considerably overdrawn. Petitioner suggests that the appellate court's decision undermines a "standard arrangement throughout the entertainment world" (*id.* at 11) and that "proliferating disputes will be inevitable (*id.*). In

particular, it argues that "in the motion picture industry" typical contractual arrangements will be put in jeopardy. These assertions are not true. As amply demonstrated in the courts below and in the legislative history, the vast majority of contractual arrangements in the entertainment business would be utterly unaffected by the appellate court's decision. In the motion picture industry, the norm is a direct grant from the original copyright owner to the creator of the derivative work.[1] In this typical direct-grant situation for which the Exception was explicitly written, there is no middleman whose rights may be terminated and the issues presented by this case will not arise.[2] In short, the decision in this case is not a jolt to the entertainment industry as the petition erroneously suggests, but will affect only the limited number of cases where the original assignee of the copyright (here Mills) is not himself a derivative works creator but rather licenses a third party (here the record companies) to create a derivative work.

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1 *See, e.g.*, H.R.Rep. No. 1476, 94th Cong., 2d Sess. 127 *reprinted in* 1976 U.S. Code. Cong. & Ad. News 5659, 5743; Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., Copyright Law Revision, Part 6 (H. Judiciary Comm. Print 1965). The Supplementary Report explains the exception as follows: "For example, if a novelist transferred to a film company the exclusive rights to make, distribute, and perform a motion picture version of his novel, termination of his transfer would not prevent the company from continuing to distribute and perform its film. . . ." *Id.* at 76.

2 The petition erroneously cites 2 A. Lindey, *Entertainment, Publishing and the Arts* 802-09 (2d ed. 1980) (Pet. at 11) as an example of the standard motion picture contract allegedly affected by the decision in this case. Yet the cited pages show a form contract for grant of motion picture rights in a novel *directly* from author to producer, who is granted the right to copyright his derivative work motion picture in return for royalties payable *directly* to the author. Similarly, the cited references to P. Baumgarten & D. Farber, *Producing, Financing and Distributing Film* (1973) are general discussions of the fact that a film producer, after being granted rights in a novel or screenplay and creating a motion picture, may then license another party to distribute it or may assign the copyright in the film.

A final reason why this case need not be reviewed is that the decision is not only legally unchallenged but factually anomalous as well. Mills Music seeks here, as it did below, to buttress its argument with assertions that a statutory construction against its interest would be unfair to music publishers. The unfairness of terminating the publisher's pecuniary participation is supposedly to be seen in the light of "the publisher's continued promotional efforts upon which songwriters rely in agreeing to the industry's standard 50-50 division," (Pet. at 4) and, likewise, their "major role in disseminating, and causing the recording of, copyrighted works." (*Id.* at 18). If that is petitioner's argument, it is one that should not be made to this Court in this case.

In the District Court the Snyders and Mills signed a formal stipulation that on the motion for summary judgment "or any appeal therefrom" neither party would raise contentions as to the efforts of Mills Music to promote "Who's Sorry Now" or the efforts of music publishers generally to obtain sound recordings or otherwise promote musical compositions (Joint App. at 197a). This was done so that Mills could avoid discovery, sought by the Snyders, on these very factual questions. If, as petitioner asserts, the relative contribution of publishers and authors is a factor in interpreting the Derivative Works Exception, review of such an interpretation by this Court should await a case in which the parties have explored the issue.

POINT TWO

THE COURT OF APPEALS' DECISION IS CLEARLY CORRECT

Far from being a momentous departure from the accepted and usual course of judicial proceedings, S.Ct. Rule 17.1(a), the Court of Appeals' decision is a straightforward exercise in statutory construction, employing the tools of analysis so often approved and used by this Court itself and thereby reaching a clearly correct result. Starting with the statutory language, and considering as well the lengthy development of the Exception in the Copyright Office drafting process,[3] the Court of Appeals concluded that Mills Music was not within "the class for whose benefit the statute was enacted." (Pet. App. A at 19a, citing *Texas Industries, Inc.* v. *Radcliff Materials, Inc.*, 451 U.S. 630, 639 (1981); *Cort* v. *Ash*, 422 U.S. 66, 78 (1975)). The class whom the termination provision was designed to benefit was authors (like the Snyders), who Congress concluded should get the benefit of the additional 19-year period under the 1976 Act notwithstanding any prior contractual provisions that may have been made. The class protected by the Exception was derivative work creators, whose right to continue to share their derivative works with the public Congress did not want jeopardized by the termination provisions. In this statutory scheme a middleman/investor such as Mills simply has no place; neither the language nor the purpose of the statute would be realized by interpreting the Exception to protect Mills' status as a passive recipient of royalties.

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3 The termination provisions evolved between 1961 and 1965 in successive Copyright Office reports and drafts, often accompanied by comments of the responsible Copyright Office representative as well as industry spokespersons. *See generally* Pet. App. B at 44a & nn. 46-47.

A. The Statutory Language

The termination provision and the Derivative Works Exception allocate rights between owners of two separate copyrights: an "underlying" copyright (in this case, the musical composition), and a "derivative" copyright (in this case, each sound recording made by a record company under license from the owner of the underlying music). The underlying and derivative works are distinct works of authorship, entitled to separate copyrights which confer on their owners separate bundles of rights specified in 17 U.S.C. § 106. *E.g., Jondora Music Publ. Co. v. Melody Recordings, Inc.*, 506 F.2d 392, 396 n.12 (3d Cir. 1974), *cert. denied*, 421 U.S. 1012 (1975). In this case, the Snyders originally assigned the copyrights to their song to Mills Music, which assignment was terminated on January 3, 1980 under the termination provisions of the 1976 Act, 17 U.S.C. § 304. Thereafter, all rights in the underlying music have been owned by the Snyders. Mills Music has *never* owned rights in any derivative work; these derivative copyrights have always been owned by record companies.

The Court of Appeals correctly concluded that Mills Music, as only the prior assignee of the *underlying copyright*, could not claim the "privilege" of continued "utilization" of the *derivative works copyright* after termination. The meaning of the word "utilize" in the exception is supplied by the enumeration in § 106 of the rights of the "owner of copyright" "to do and to authorize" the following:

> (1) to reproduce the copyrighted work in copies or phonorecords;
>
> (2) to prepare derivative works based upon the copyrighted work;
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership. . . .

Prior to the termination of all its rights in the copyright, Mills stood in the shoes of the Snyders. As temporary "owner of copyright" in the underlying music, Mills "authorized" record companies to make derivative sound recordings of the music, in return for royalty payments—in this way it utilized the underlying copyright. When the record companies created authorized derivative works, they became the owners of the copyrights in these new works (see 17 U.S.C. § 103(a)). The record companies, as "owner of copyright" of the derivative works, could thereupon exercise the first enumerated right in § 106 to "reproduce the copyrighted [derivative] work . . . in phonorecords" and the third enumerated right to distribute those phonorecords to the public; in this way the record companies (not Mills) "utilized" the derivative work. Utilization of the sound recordings in this manner engenders an obligation to pay, not a right to receive, royalties, and such utilization is the only activity protected by the plain language of the Derivative Works Exception. Mills' assertion of a right to continue receiving royalties by virtue of this Exception constitutes an implausible construction which the statutory language simply will not bear.

Thus, the Court of Appeals recognized that the publisher's argument, while couched in the familiar and inviting injunctions to "literal construction" of "plain meaning," actually sought an enormous judicially-created expansion of the Exception as intended by Congress:

> "The language of the Exception as understood by the district court would thereby be expanded to cover the publisher's asserted right to continue collecting royalties after termination even though the statute quite explicitly protects from termination *only* continued utilization of derivative works, and not continued utilization of rights attached to the underlying work. In the name of literal construction, Mills and the district court in effect would write into the Exception a provision protecting certain rights in the underlying copyright from termination when in fact the statute does not cover them." (emphasis in original)

(Pet. App. A at 15a).

As construed by the Court of Appeals, the statutory provisions have a simple and rational operation. By way of analogy, if a landlord sells his property, the tenant is privileged to retain his leasehold and continues to pay rent under the terms of his lease. However, after sale of the property the tenant makes his payments to the new owner of the underlying real estate, because receipt of rents is an incident of property ownership. So, too, when ownership of the underlying copyright changes hands by way of termination, the derivative work proprietor continues to pay royalties as stipulated in the grant to him, but makes such payments to the new owner of the music, because receipt of such royalties is an incident of ownership of the underlying copyright. *See Goldstein* v. *California*, 412 U.S. 546, 565 (1973) (mechanical royalties generated by sale of phonorecords are payable "to the proprietor of the composition copyright"). There is nothing strange about altering the identity of the recipient; indeed, in creating the novel termination right Congress acted explicitly to nullify the contractual arrangements that obtained before termination.[4]

Confounded by the language of the statute, Mills jumps to the phrase "under the terms of the grant," asserting there its entree to the privilege. That phrase is in the statute to make clear that continued utilization *by the derivative work proprietor* remains subject to the terms of the license to him and does not require renegotiation of the royalty terms. But the phrase can only be read in connection with the words that precede it: it limits and controls the utilization of derivative works, which Mills itself has no right to "utilize" at all. Failing that threshold test, Mills cannot claim benefits from the Exception.

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4 In the context of the termination provisions of the 1976 Act, it is extraordinary for Mills to make the claim, as it does in its petition at 11, that "under the [C]ourt of [A]ppeals decision the *status quo* does not hold; instead, the court below nullified all of Mills' rights in the grant from the Snyders . . . ." The "nullification" was not the work of the Court of Appeals; rather, the Copyright Act of 1976 itself nullified all pre-termination grants made by authors. By attempting to preserve the "status quo," Mills is in essence arguing that the termination provisions of the 1976 Act should be ignored.

Moreover, Mills' construction is self-contradictory and renders the statutory phrase "under the terms of the grant" meaningless. While Mills relies on the terms of the Snyder-Mills grant for its right to retain 50% of the "net royalties actually received" (Joint App. at 76a), it equally relies on its own separate grants to the record companies, which are the only grants that authorized preparation of the derivative works and that specify the amount and frequency of the payment and other conditions of utilization. Contrary to petitioner's assertion (Pet. at 17), the record companies cannot utilize their sound recordings "under the terms of" the first grant from Snyder to Mills, as that initial grant states no terms applicable to the record companies. To make sense out of the statutory language, one must conclude that when the Snyders terminated the initial grant to Mills, they stepped into Mills' shoes and succeeded to the right to receive 100% of the royalties just as Mills did before termination, while the derivative work owners are "privileged" to continue utilizing their property under the terms of the grants running to them. It makes neither logical nor semantic sense to conclude that Mills, as former (and now terminated) assignee of the underlying copyright, should receive continued royalties based on utilization of the derivative copyright.

B. The Legislative History and Precedent

The Court of Appeals recognized that the Exception was written in contemplation of a direct grant from the underlying work owner to a grantee who would himself make a derivative work (Pet. App. A at 15a-16a). For this reason, the Court of Appeals quite properly discounted Mills' inventive but illogical argument that Congress intended only the first grant in a multi-step grant situation to control post-termination rights. Now Mills (which argued below that the 20 years of legislative history were completely irrelevant) makes the extraordinary claim that Congress—which accepted and enacted unchanged and without debate the Copyright Office draft of the termination provisions—was not only cognizant of, but legislated

specifically with respect to, the multi-step grant situation (*e.g.*, Pet. at 11, 13, 17, 18).

Conspicuously absent from the petition is any citation to legislative material showing that Congress was aware of or considered how the statutory language would apply to a multi-step grant, involving a remote derivative work owner and a middleman whose rights have been terminated.[5] Moreover, Mills' assertion is flatly inconsistent even with the conclusion of the District Court, which, after reviewing "thousands of pages" of legislative materials (Pet. App. B at 42a), found:

> There is no indication that either the drafters in the Copyright Office of these provisions or the Congress specifically considered the Exception with respect to music publishers. In all of the Office's panel discussions and reports, and all of the hearings, reports and other legislative materials regarding the various bills introduced in Congress, there is no discussion by either the Office or individual members of Congress about the termination of assignments or the derivative works exception specifically as they apply to music publishers. It is an unwarranted assumption that Congress itself ever gave any thought to the issue. [citation omitted] In addition, there is no discussion by the Office or by any member of Congress of the general issue of whether the Exception applies to an author's grantee who only authorizes others to make derivative works and is not itself the owner or producer of the derivative works. [footnote omitted]

(Pet. App. B at 45a).

Thus both courts below agreed that the present case required application of a statute to a fact pattern not considered by Congress when the relevant provision was enacted. It was at this point, however, that the approaches of the two courts below diverged. The Court of Appeals properly identified the classes (creators of original and derivative works) that Congress intended to benefit by enacting, respectively, the termination provisions and the Exception, and properly concluded that the middleman/publisher has no place in the allocation of rights set forth in the Exception. This process was undoubtedly proper statutory construction under this Court's precedents. *See North Haven Board of Educ. v. Bell*, 456 U.S. 512, 521-22 (1982); *United States v. Basye-Umiliat*, 394 U.S. 784, 799 (1969); *accord, Portland Cement Ass'n v. Ruckelshaus*, 486 F.2d 375, 380 (D.C. Cir. 1973), *cert. denied*, 417 U.S. 921 (1974). By contrast, the "policies" invoked by the District Court (Pet. App. B at 56a-57a) are both unsupported in the legislative record and irrelevant to the question at hand.

The Court of Appeals' analysis of congressional intent (Pet. App. A at 19a-23a) rested on three points that are fully supported in the legislative history:

(1) The purpose of the termination provision was to confer an economic benefit on authors and their heirs by returning to them for the nineteen year extension period "all rights" that may have been previously granted to assignees at an early date when the works' full value may not have been recognized.[6] Assignments of musical compositions to publishers for the purpose of licensing to others are precisely the kind of speculative and potentially exploitative transfers Congress desired to make terminable (Pet. App. A at 21a-22a).

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5 In support of this assertion, the petition cites only to a portion of the District Court opinion (Pet. App. B at 51a, 59a). Yet the legislative history discussed therein is a series of complaints by music publishers to the Copyright Office to the effect that they were *not* covered by the Exception. The District Court discounted these statements as " 'free-wheeling utterances,' some made during the very heat of controversy," (*id.* at 63a). While the weight to be accorded such statements was a matter of debate in the courts below, the one argument these statements clearly do not support is the argument that either Congress or the Copyright Office took pains to protect the music publishers in the Derivative Works Exception, as Mills now argues.

6 H.R.Rep. No. 1476, *supra*, at 124, 1976 U.S. Code Cong. & Ad. News at 5740.

(2) The Derivative Works Exception was drafted to solve a specific and narrow problem under the 1909 Copyright Act, which had been construed to prohibit utilization of derivative works by their owners after reversion of underlying rights under the old copyright renewal system.[7] By removing the reversioner's veto power over continued utilization, the Exception conferred a benefit on owners of derivative works, and ultimately on the public, by insuring continued circulation of such works by those who have the right to "utilize" them. The middleman's passive interest in receiving continued royalties is irrelevant; such a terminated assignee who does not own a derivative work is not within the class Congress intended to protect by the Exception.

(3) Grantees such as music publishers, who recognized and told the Copyright Office that they were not covered by the Exception,[8] argued for and were granted numerous other ameliorative provisions in the Act to soften the effects of termination.[9]

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[7] This problem is noted in, *e.g.*, Brylawski, *Renewal and Extension of Copyright*, 29 So. Cal.L.Rev. 24, 43 (1955). It was Brylawski who proposed the Derivative Works Exception to termination so that the problem would not recur under the new Act. *See* Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 88th Cong., 1st Sess., Copyright Law Revision, Part 2 at 264-65 (H. Judiciary Comm. Print 1963). The only law review article directly addressing the question here presented agrees that a middleman music publisher's share should be terminable because the Exception "is intended to protect the derivative user from the author's veto over continued use of the derivative work, not a middleman's passive interest in a share of the proceeds." Curtis, *Current Empire in Copyright: A Practical Guide to the Termination-of-Transfers Provisions of The New Copyright Code*, 23 Bull. Copyright Soc'y U.S.A. 59, 60 (1975).

[8] *See, e.g.*, Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft, 88th Cong., 2d Sess., Copyright Law Revision, Part 3 at 203, 204-05, 207, 310 (H. Judiciary Comm. Print 1964). Here and elsewhere representatives of the two principal music publishers organizations made categorical representations, with which no one disagreed, that the Derivative Works Exception did not protect music publishers.

[9] *See* Pet. App. A at 22a.

These points call for exclusion of the publishers from the benefits of the Exception. The District Court, however, never inquired into the fundamental objects of the relevant provisions. Relying solely on "experience" (Pet. App. B at 56a) and on inapposite references to unrelated authorities (*id.*), the District Court held that "the sharing of returns provided to publishers [under its contruction of] the Exception" will "[induce] publishers . . . to invest their resources in bringing creative works to the public by the prospect of a profitable return." (*id.* at 57a). Yet the District Court's policy analysis

- disregards its own finding that Congress never considered the role of music publishers or applicability of the Exception to them;
- ignores the fact that publishers had already recovered whatever profitable return they had bargained for when termination occurred, since the grants at issue were necessarily premised on the 56-year term of copyright under the 1909 Act; and
- has no factual support in the record, since the parties stipulated in the District Court that neither party would take discovery or raise contentions as to the efforts of music publishers to promote exploitation of musical compositions.

Finally, in reaching its conclusion from such dubious foundations, the District Court ignored the one precedent that shed light on the problem at hand. *Rohauer* v. *Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977) (Friendly, J.), decided under the 1909 Act in the year before the present Act (although enacted) became effective, is the only other decision of which we are aware that has considered the Derivative Works Exception of the 1976 Act. *Rohauer*, which also concerned derivative work utilization following a reversion of underlying rights, clearly foreshadowed the present decision and the distinction it draws between "an assignee or licensee [who] has done nothing more than print, publicize and distribute a copyrighted story or novel," and a "person who with the consent of the author has created [a derivative work]."

551 F.2d at 493. Looking forward to the impending 1976 Act, Judge Friendly considered this distinction to be recognized in "§ 203(b)(1) and § 304(c)(A) of the recently enacted copyright revision bill" (that is, the Derivative Works Exception) with the result that derivative works proprietors, but not prior assignees of underlying rights, would be privileged to continue to "utilize" derivative works after a reversion of underlying rights. While the District Court inexplicably ignored *Rohauer*, the Court of Appeals' decision implements and follows it as a matter of current copyright law.[10]

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

Harold R. Tyler, Jr.
(*Counsel of Record*)

Frederick T. Davis
Robert P. LoBue

Patterson, Belknap, Webb & Tyler
30 Rockefeller Plaza
New York, New York 10112
(212) 541-4000

Attorneys for Respondents,
Marie Snyder and Ted Snyder, Jr.,
d/b/a Ted Snyder Music Publishing Co.

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10 The Court of Appeals noted that *Rohauer* has been "criticized in other respects" (Pet. App. A at 20a)—that is, as an explication of the 1909 Act. Whatever the merit of those criticisms, they do not suggest that Judge Friendly's gloss on the Derivative Works Exception of the *current* Act is anything other than correct.

REPLY

BRIEF

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No. 83-1153

IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

MILLS MUSIC, INC.,

Petitioner,

—vs.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY BRIEF FOR PETITIONER

MARVIN E. FRANKEL
(Counsel of Record)
MICHAEL S. OBERMAN
STEVEN E. GREENBAUM

KRAMER, LEVIN, NESSEN, KAMIN
& FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100

Attorneys for Petitioner,
Mills Music, Inc.

February 1984

In the

Supreme Court of the United States

October Term, 1983

No. 83-1153

Mills Music, Inc.,

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—vs.—

Marie Snyder and Ted Snyder, Jr.,
d/b/a Ted Snyder Music Publishing Co.,

Respondents.

REPLY BRIEF FOR PETITIONER

1. Respondents, forgetting what they said below, attempt to minimize the importance of this case. On the first page of their brief to the Second Circuit, respondents (then appellants) emphasized that this is a test case under the Copyright Act of 1976 of far-reaching significance. They stated: "This case is vitally important to the music industry, even though the amount in controversy is small. As precedent in interpreting the Copyright Act of 1976, this Court's decision will determine the recipients of millions of dollars in royalties in years to come." The court of appeals also recognized the implications of this case for a myriad of transactions, involving substantial sums, in different segments of the entertainment industry. (*E.g.*, Pet. App. A 4a.) The starting premise, therefore, is that the Second Circuit's decision in this test case is certain to govern countless contractual relationships and control the allocation of "millions of dollars in royalties in years to come." Because of the broad application of this case and because the

decision below improperly ignored an important and carefully crafted provision of the new Copyright Act, the case is worthy of review.

2. Respondents term the court of appeals' decision a "straightforward exercise in statutory construction," "compelled by the plain meaning of the statute, its legislative history and the policies of the copyright laws." (Br. in Opp. 5, 1.) Not even the court below claimed this achievement. Instead, the court discarded the statutory language as inapplicable to the "standard practice in the music publishing industry" (Pet. App. A 5a.) Finding the statutory language irrelevant, the court proceeded to conclude—on policy grounds—that in case of doubt, the author should win. If, as the petition urges, the correct course was indeed to law to what Congress wrote, comparison of the two opinions below might well justify summary reversal of the court of appeals decision. *See* Supreme Court Rule 23.1.

Despite respondents' view that the result below is "clearly correct" (Br. in Opp. 5), they are unable to square that result with the statutory words and structure. The Exception in dispute is a limitation on the right of termination; it qualifies what would otherwise revert to the author. Respondents, like the court below, cannot reconcile with the words of the Exception the fact that, under the decision, one grant (from Snyder to Mills) has been terminated, while a wholly separate grant (from Mills to the record companies) has been preserved, with the Snyder: somehow substituted for Mills.

The futile effort to fit the decision within the statutory framework serves only to highlight that the district court's painstaking analysis of the Exception—reversed by the court of appeals—offers the only coherent reading of the statute. Professor Nimmer, the leading authority in the field, has expressly endorsed the district court's construction as required by the plain words of the Exception:

> "The statutory text makes it clear that 'the grant' referred to therein is the grant from A to B (i.e., from the author to his original grantee), not the grant from B to C

> [i.e., from the original grantee to the record companies]. Furthermore, the reversion of 'all of a particular author's rights' provided for in the termination provisions is expressly made 'subject to the . . . limitations' contained in the derivative works exception. Thus the privilege of continued utilization is not simply arbitrarily conferred. Rather, it is recognized by reason of a 'limitation' upon what would otherwise be a reversion of 'all' rights. This can only mean that the grant from the author to the first grantee of those rights which absent reversion would permit such continued utilization are not to be the subject of reversion. Thus, the grant from A to B remains in effect insofar as it governs the terms under which previously prepared derivative works may continue to be utilized. If there were to be a reversion of 'all' rights conferred by A upon B, this would mean that C would be bereft of a chain-of-title necessary to such continued utilization." 3 M. Nimmer, *Nimmer on Copyright* § 11.02[B], at 11-18.2 - 11-18.3 (1983) (footnotes omitted).[1]

3. Respondents urge that the court of appeals decision should be seen as part of a line of authority in the Second Circuit, beginning with *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484, *cert. denied*, 431 U.S. 949 (1977). With this link we heartily agree. *Rohauer*, an example of judicial law making, has been properly and vigorously criticized from the outset. *See* 1 M. Nimmer, *supra*, § 3.07[A] at 3-31; *Russell v. Price*, 612 F.2d 1123, 1126 n.10 (9th Cir. 1979), *cert. denied*, 446 U.S. 952 (1980) (observing that *Rohauer* "has been the subject of adverse critical commentary").[2] *Rohauer* was decided under

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1 As disclosed in the cited portion of his treatise, Professor Nimmer submitted a brief below on behalf of the National Music Publishers Association, as *amicus curiae*, urging affirmance of the district court opinion. *Id.* at 11-18.1 n.78.

2 Professor Nimmer observed: "Ordinarily a copyright decision by the prestigious Second Circuit Court of Appeals stands as unquestioned law. This is particularly true of an opinion written by Judge Friendly,

the prior copyright statute, shortly before the 1976 Act became effective. *Mills*, decided under the new Act, represents another instance of a judicial policy choice unencumbered by the constraints of the words Congress actually enacted. To correct this error, and to reaffirm early in its jurisprudence that the 1976 Act should be construed and applied according to the words Congress wrote, would represent an appropriate exercise of this Court's powers.

4. Respondents mistake Mills's argument concerning legislative history and the statutory language. As shown in the petition, Congress was aware of the existence of multi-grant relationships. While the legislative reports accompanying the Exception did not, in discussing that provision, speak of multi-grant situations, the language adopted was not restricted to derivative work owners or utilizers and was not restricted to single grant situations. Instead, the Exception states what may be used ("derivative works") and it states how derivative works may be used ("under the terms of the grant"). Accordingly, the language of the Exception governs multi-grant situations, by recognizing—as the district court held and Professor Nimmer urges—that authorization to utilize derivative works continues (and royalty arrangements are preserved) through the rights remaining with the original grantee, upon termination.[3]

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who is surely one of the nation's outstanding copyright judges. But for reasons outlined above, it is submitted that this decision is plainly wrong, and of Judge Friendly it may be said (as Learned Hand, paraphrasing Horace, once said of a Holmes opinion), "for once Homer nodded."

3 Respondents also misconstrue the implications of this case for other multi-party grant situations. They contend that in the motion picture industry, the "norm is a direct grant from the original copyright owner to the creator of the derivative work," the "typical direct-grant situation for which the Exception was especially written." (Br. in Opp. 3.) In concluding that the issues of this case will therefore not apply to the motion picture industry, respondents have chosen to ignore the full discussion in the petition, as well as in the cited authorities, which makes plain that typically the initial grantee—a producer—will assign the copyright in the film to a distributor. Thus, at the time of termination, there is likely to be an author, a producer, and a distributor—with the latter holding the copyright on the derivative work.

Respondents fault Mills for referring to the role of the music publisher, as presented to Congress. At the same time, the Snyders describe publishers in pejorative terms as "mere middlemen" (Br. in Opp. 2), a "middleman/investor" (*id.* at 5), and "a passive recipient of royalties" (*id.*). The point of consequence (unaffected by any stipulation, as Judge Weinfeld recognized, Pet. App. B 57a-59a) is that the legislative history of the 1976 Act itself revealed an awareness of the contributions by music publishers in distributing creative works. Ultimately, this case can and should be decided by the express terms of the Exception itself—and not upon labels like "middleman".

CONCLUSION

For the reasons stated above and in the petition, this Court should grant certiorari and reverse.

Respectfully submitted,

MARVIN E. FRANKEL
(Counsel of Record)

MICHAEL S. OBERMAN
STEVEN E. GREENBAUM

KRAMER, LEVIN, NESSEN, KAMIN & FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100

Attorneys for Petitioner
Mills Music, Inc.

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JOINT

APPENDIX

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IN THE

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OCTOBER TERM, 1984

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d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

JOINT APPENDIX

MARVIN E. FRANKEL
(Counsel of Record)
KRAMER, LEVIN, NESSEN,
KAMIN & FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100
Counsel for Petitioner

HAROLD R. TYLER, JR.
(Counsel of Record)
PATTERSON, BELKNAP, WEBB
& TYLER
30 Rockefeller Plaza
New York, New York 10112
(212) 541-6000
Counsel for Respondents

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Docket Entries, *The Harry Fox Agency, Inc. v. Mills Music, Inc. et al.*, No. 83-7089, United States Court of Appeals for the Second Circuit	JA 3
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* Omissions from the text of documents reprinted in part are indicated by asterisks, or, in some instances, by bracketed notations. All certificates of service have been omitted in printing.

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Notice of Motion and Supporting Affidavit for Summary Judgment, filed by Defendant Mills Music, Inc. in the District Court on May 18, 1981 ..... JA 60

Stipulation and Order, dated June 17, 1981 ..... JA 83

Stipulation and Order, filed in the District Court on June 22, 1981 ..... JA 85

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Revised, Jointly Proposed Judgment, entered in the District Court on December 7, 1982 ..... JA 88

Docket Entries

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

80 Civ. 6993

HARRY FOX AGENCY, INC.,

Plaintiff,

—v.—

MILLS MUSIC, INC., and MARIE SNYDER and TED SNYDER, JR., d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Defendants.

Date	*NR.*	*Proceedings*
1980		
Dec. 12	1	Filed COMPLAINT and issued notice pursuant to rule 28 USC 636(c). No summons issued.
1981		
3-09	8	Filed ANSWER AND COUNTERCLAIM of deft. Mills Music Inc. to complaint
3-10	9	Filed ANSWER of defts Marie Snyder and Ted Snyder to complaint
3-19	11	Filed the Snyder defts' interrogs to deft Mills Music Inc.
3-20	12	Filed REPLY of plff to counterclaim of deft Mills Music Inc.
4-07	13	Filed deft. Mills Music answer to cross claim of Snyder defts.

Date	*NR.*	*Proceedings*
4-15	16	Filed deft. Mills Music answers to interrogs.
5-18	17	Filed deft Mills Music Inc. affidavit and notice of motion for an order pursuant to FRCP 56 granting summary judgment on its counterclaim RET: JUNE 2nd, 1981; orig to chambers
6-22	30	Filed stip and order that parties consent to withdrawal of memorandum of law *amicus curiae* in support of motion for summary judgment submitted by: National Music Publishers Assoc dated: 5-26-81, as indicated. So Ordered. WEINFELD, J. (DOCUMENT NO. 20 ATTACHED TO STIP AND ORDER)
6-23	—	Filed Memo Endorsed on document No.24—withdrawing motion by Snyder defts. to compel deft Mills to respond to discovery requests (withdrawn by consent of parties. So Ordered. WEINFELD, J.
7-07	31	'Fld Stip & Orde re deft Mills Music's motion for summ. judgmt: 1) defts Marie Snyder & Ted Snyder shall be served on or before 8-17-81 2) reply papers shall be served on or before 9-11-81 3) motion shall be returnable on 9-15-81, at 2:15 PM WEINFELD, J.
1982		
7-15	38	FILED OPINION NO. 53418—in view of the foregoing—those royalties at issue corresponding to such works revert to the Snyders, and the Snyders are entitled to recover under their cross claim to the extent it consists of such royalties. Submit judgment in accordance with the foregoing with notice of settlement ret within 7 days upon three days notice to the opposing side. So ordered. WEINFELD, J. m-n CSC NOTIFIED O AND A.

Docket Entries

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

No. 83-7009

Date	*Proceedings*
1983	
1-7	Copies of district court docket entries and notice of appeal filed on behalf of Snyder et ano
10-18	Judgment reversed, published opinion filed (JLO)
10-18	Judgment filed
1984	
3-28	Certified copy of order of Supreme Court granting petition for writ of certiorari filed.

Complaint

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 80 Civ. 6993 (EW)

THE HARRY FOX AGENCY, INC.,

Plaintiff,

—against—

MILLS MUSIC, INC., and MARIE SNYDER and TED SNYDER, JR., d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Defendants.

COMPLAINT

Plaintiff, by its attorneys, Silverman & Sholman, P.C., as and for its complaint herein, alleges as follows:

Preliminary Statement: This action concerns matters which arise under the U.S. Copyright Act of 1976 (effective January 1, 1978) and have never before received judicial consideration. It arises in the context of the music industry but the legal issues involved are of vital interest to all members of the copyright community, both owners and users of copyright protected works as well as their authors. Indeed, many of the complex business relationships in the copyright community will depend upon and be governed by the law of this case.

I.

JURISDICTION

1. This is an interpleader action brought under 28 U.S.C., Section 1335, to resolve a dispute between two adverse claimants of diverse citizenship to a fund in the possession of the plaintiff which exceeds $500. Jurisdiction is also based on 28 U.S.C., Section 1338(a), in that this controversy arises under the federal laws relating to copyrights.

The action also seeks a declaratory judgment pursuant to 28 U.S.C., Section 2201. Jurisdiction for the declaratory judgment action is pendent to the interpleader action in that it arises out of the same controversy which is the subject of the interpleader action and is also based upon 28 U.S.C., Section 1338(a), in that the controversy arises under the federal laws relating to copyright. The defendants are joined herein pursuant to Rule 22 of the Federal Rules of Civil Procedure.

II.

THE PARTIES

2. Plaintiff, THE HARRY FOX AGENCY, INC. (hereinafter "Fox") is a New York corporation with offices at 110 East 59th Street, New York, New York. Fox is engaged in the business of acting as a licensing and collecting agent for approximately 4,000 music publisher-principals with respect to, among other things, the use by manufacturers of phonorecords (hereinafter "Users") of the copyrighted musical compositions owned or controlled by its music publisher-principals.

3. Defendant, MILLS MUSIC, INC. (hereinafter "Mills") is a Delaware corporation with offices at 1776 Broadway, New York, New York and is engaged in the business of publishing and otherwise exploiting copyrighted musical compositions.

4. Upon information and belief, defendants Marie Snyder and Ted Snyder, Jr., reside respectively at 4320 Enramada, Woodland Hills, California and 1962 Smokewood Court,

Thousand Oaks, California, are respectively the widow and child of Ted Snyder, and do business under the name and style of "Ted Snyder Music Publishing Co." (hereinafter the "Snyder Company") engaging in the publishing and exploiting of copyrighted musical compositions.

III.

THE FACTS

5. In its capacity as licensing and collection agent for its publisher-principals, Fox customarily issued and continues to issue, on behalf of and in accordance with instructions from its principals, written authorizations with respect to the right to make and distribute phonorecords embodying the fixation of performances of the copyrighted musical compositions owned or controlled by such principals. Such written authorizations were and are issued to Users and permit the use of such musical compositions pursuant to and with some variation of the provisions of either Section 1(e) of the U.S. Copyright Act of 1909 (for phonorecords made prior to January 1, 1978) or Section 115 of the U.S. Copyright Act of 1976 (for phonorecords made on and after January 1, 1978). Such written authorizations are hereinafter referred to as the "Voluntary Statutory Licenses" and the relevant provisions of Sections 1(e) and 115 are set forth in Appendix A attached to and made a part of this complaint. The Copyright Act of 1909 is hereinafter referred to as the "1909 Act" and the Copyright Act of 1976 is hereinafter referred to as the "1976 Act".

6. Fox acts as the licensing and collecting agent for both Mills and the Snyder Company pursuant to separate agreements entered into with both Mills and the Snyder Company, which agreements are attached hereto as EXHIBIT "A" and EXHIBIT "B", respectively, made part of this Complaint and hereinafter referred to as "the Agency Agreements". Pursuant to the Agency Agreements, Fox has direct and fiduciary obligations to both Mills and the Snyder Company to issue Voluntary Statutory Licenses on their respective behalves in a

manner which correctly reflects their respective copyright ownership of the musical compositions they own or control and, in addition, Fox is required to properly pay over to Mills and the Snyder Company those monies collected by Fox under such licenses and in accordance with their respective ownership interests.

7. Upon information and belief the musical composition entitled "WHO'S SORRY NOW" (hereinafter the "Song") was written by Ted Snyder, Bert Kalmar and Harry Ruby as equal one-third co-authors thereof (hereinafter jointly referred to as the "Authors").

8. A. Pursuant to the provisions of Section 24 of the 1909 Act (copy attached hereto and made a part hereof as Appendix B), the Song was protected by and the subject of copyright in the United States for a total period of fifty-six (56) years commencing with the Song's first publication in 1923. Such period consisted of an original term of twenty-eight (28) years and a renewal term of twenty-eight (28) years commencing upon the expiration of the original term.

B. Upon information and belief, Mills was the owner of the copyright in the Song including the 28 year renewal period of copyright pursuant to a certain grant or grants of rights from the Authors (hereinafter collectively, or individually referred to as the "Grant").

C. Upon information and belief, pursuant to the Grant Mills is obligated to pay and account to the Authors, in equal one-third shares, fifty percent (50%) of all of its receipts pursuant to Voluntary Statutory Licenses issued to Users with respect to the Song.

9. A. In the 1976 Act, Congress created a longer period of copyright than was provided in the 1909 Act. Instead of the former total fifty-six year period, a longer period of copyright was provided for works created after January 1, 1978, which generally created a copyright period consisting of the author's life plus fifty (50) years after his death. For copyrights subsisting under the 1909 Act on January 1, 1978, the 1976 Act

extended their life from fifty-six (56) years to a total of seventy-five (75) years. In particular, with respect to the copyright in a work whose renewal term of copyright was subsisting on January 1, 1978, its period of copyright was extended pursuant to the provisions of Section 304(b) (copy attached hereto and made a part hereof as Appendix C) for a period of seventy-five (75) years from the date of its original copyright, thus extending the life of such copyright beyond the expiration of its renewal term for an additional nineteen (19) years (hereinafter the "extended period"). In the instant case, the copyright in the Song has been extended for and subsists during the extended period from and after the expiration of its renewal term in 1979.

B. The 1976 Act does, however, provide in Section 304(c) (copy attached hereto and made a part hereof as Appendix D) for a general right on the part of an author (or his specified heirs) with respect to a work in its extended period of copyright to terminate the grant of copyright in such work upon and subject to a number of therein specified terms and conditions.

10. Upon information and belief, on or about January 3, 1978, the defendants Marie Snyder and Ted Snyder, Jr., as the widow and child, respectively, of Ted Snyder, terminated the Grant to Mills with respect to the Ted Snyder interest therein by giving Mills written notice of termination pursuant to Section 304(c) of the 1976 Act which notice set forth the effective date of termination as January 3, 1980 (hereinafter "the effective date of termination"). Fox received notice of such termination on August 11, 1980.

11. Defendants Marie Snyder and Ted Snyder, Jr. have assigned to the Snyder Company all of their United States rights in and to the Song, to wit: one-third thereof, for and during that portion of the extended period of copyright in the Song subsisting from and after the effective date of termination (hereinafter the "Snyder Claimed Interest"). Fox received notice of such Assignment on or about August 11, 1980.

12. A. Prior to the effective date of termination, Fox, on behalf of Mills, issued Voluntary Statutory Licenses to certain Users with respect to the Song. Copies of such Voluntary Statutory Licenses (hereinafter "the pre-termination licenses") are attached to and made part of this complaint as collective Exhibit "C".

B. Subsequent to the effective date of termination, but prior to Fox receiving notice of termination of the Grant with respect to the Snyder Claimed Interest, Fox issued a Voluntary Statutory License (hereinafter "the post-termination license") on behalf of Mills to a User with respect to the Song. The post-termination license was issued with respect to a phonorecord embodying a performance of the Song which was fixed (i.e. the recording was first made) prior to the effective date of termination. The post-termination license is attached to, and made part of this complaint as Exhibit "D".

13. Prior to the filing of this complaint and since the effective date of termination, Fox has received from the respective Users under both the pre-termination licenses and the post-termination license, royalties in a sum equal to $4,030.23 (hereinafter "the total amount"). Fox has heretofore paid to Mills, out of the total amount, the sum of $2,686.82 representing two-thirds thereof, and has retained therefrom, the balance thereof in the sum of $1,343.41 (i.e. one-third of the total amount), which balance is hereinafter referred to as the "Disputed Fund".

14. Prior to the filing of this complaint, Fox has received numerous communications from the defendants effectively confronting Fox with conflicting claims and demands with respect to Fox's duties and obligations under the Agency Agreements in connection with the Song, Fox's licensing of the uses thereof and the disbursement of monies received by Fox therefor. Such conflicting claims and demands are summarized as follows:

A. *The "Snyder Company Demands"*. The Snyder Company demands that from and after the effective date of termination:

1) Fox should pay to The Snyder Company one-third (i.e. corresponding to the Snyder Claimed Interest) of all sums received by Fox after the effective date of termination under all Voluntary Statutory licenses without regard to whether (a) such Voluntary Statutory Licenses were issued prior to or after the effective date of termination; (b) such licensed phonorecords embody performances which were fixed either prior to or after the effective date of termination, or (c) such licensed phonorecord embodies the performance of a particular arrangement of the Song which arrangement was first created prior to the effective date of termination.

2) Fox should thereafter issue all Voluntary Statutory licenses to Users in a manner which identifies the Synder Company as a one-third (i.e. corresponding to the Snyder Claimed Interest) owner of the copyright in the Song again without regard to the considerations set forth in subdivisions (a), (b) and (c) of subparagraph 14.A.1) of this complaint.

3) Fox should pay the Disputed Fund to the Snyder Company as well as one-third of any monies hereafter received by Fox pursuant to the pre-termination licenses and post-termination license.

B. *The "Mills Demands"*. Mills has demanded that:

1) Fox pay the Disputed Fund to Mills subject only to its normal obligation to account to the legal representatives of Ted Snyder (as a one-third Author) of such respective Author's share thereof under the Grant, but without regard to the Snyder Claimed Interest.

2) Fox, without regard to the termination of the Grant or the effective date of termination, should (a) issue all Voluntary Statutory Licenses to Users identifying Mills as the sole owner of the copyright in the Song where such Voluntary Statutory Licenses are for phonorecords whose performances of the Song were first fixed prior to the effective date of termination or whose performances are performances of an arrangement of the Song which arrangement was first created prior to the effective date of termination; (b) pay Mills, without regard to

the Snyder Claimed Interest, all sums received by Fox under any and all Voluntary Statutory Licenses that deal with phonorecords that fit the description referred to in subdivision (a) of this subparagraph B., including but not limited to Fox's receipts from the Users pursuant to the pre-termination licenses and the post-termination license.

15. The Snyder Company Demands and the Mills Demands are in conflict.

16. Upon information and belief, the defendants' respective demands are based upon their conflicting constructions and interpretations of the 1976 Act.

17. Upon information and belief, defendants' conflicting demands are a result of their conflicting interpretations of certain key terms and provisions of the 1976 Act and their resultant impact on the right to receive monies generated by uses of the Song after the effective date of termination, to wit:

A. The term "*derivative work*" as such term is used in Section 304(c)(6)(A) and its applicability to certain phonorecords and arrangements, and

B. The nature of the rights with respect to such derivative works, if any, which may "*revert*" and "*become vested*", to and in the Snyder Company pursuant to Section 304(c)(6)(B) [in particular, royalties generated by such derivative works and the ownership interests therein, after the effective date of termination under the Voluntary Statutory Licenses herein].

Sections 304(c)(6)(A) and (B) provide:

> "(A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.
>
> (B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection."

18. Upon information and belief, there are several threshold questions concerning the applicability of Sections 304(c)(6)(A) and (B) to the controversy herein which can be summarized as follows:

A. Are those phonorecords made pursuant to the Voluntary Statutory Licenses herein the "*sound recordings*" defined as "*derivative works*" under Section 101 of the 1976 Act? The relevant provisions of Section 101 provide:

> ". . .A 'derivative work' is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work'. . .".
>
> and
>
> ". . .'Sound recordings' are works that result from the fixation of a series of musical, spoken or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied."

B. 1) Are *arrangements* of a musical composition, which arrangements were created before the effective date of termination, *derivative works* within the meaning of Section 101 of the 1976 Act? and 2) Do phonorecords whose performances are fixed under Voluntary Statutory Licenses, and which utilize such arrangements, constitute the utilization of *derivative works* within the meaning of Section 304(c)(6)(A) of the 1976 Act, regardless of when the performances on such phonorecords were first fixed (i.e. before or after the effective date of termination)?

C. Were the phonorecords and arrangements referred to above in subdivisions A. and B. of this paragraph 18. *derivative works* "prepared under authority of the [G]rant before its termination" which "may continue to be utilized under the terms of the [G]rant after its termination" within the meaning of Section 304(c)(6)(A) of the 1976 Act?

19. Upon information and belief, a construction of the relevant provisions of the 1976 Act is required to resolve the conflicts between the Snyder Company Demands and the Mills Demands as they affect Fox and the copyright ownership interests in the Song and monies derived thereunder.

IV.

AS AND FOR A FIRST CAUSE OF ACTION

20. By reason of the aforesaid conflicting claims and demands of the defendants, Fox is in great doubt as to which of them is entitled to be paid the Disputed Fund and by reason of the Agency Agreements is in jeopardy with respect to the demands of both defendants in respect of the Disputed Fund.

21. Fox has paid the Disputed Fund, the sum presently in controversy, into the registry of this Court to abide the judgment of this Court.

V.

AS AND FOR A SECOND CAUSE OF ACTION

22. Fox repeats and realleges all of the allegations set forth in Paragraphs 1 through 21, inclusive, of this Complaint.

23. Upon information and belief, Fox shall hereafter continue to receive sums of money in addition to the Disputed Fund (one-third of which is hereinafter referred to as "the Additional Sums") from Users pursuant to the pretermination licenses and the post-termination license.

24. By reason of the aforesaid conflicting claims of the defendants, Fox shall continue to be in great doubt as to how

to pay the Additional Sums and by reason of the Agency Agreements shall continue to be in jeopardy with respect to the demands of both defendants in respect of the Additional Sums.

VI.

AS AND FOR A THIRD CAUSE OF ACTION

25. Fox hereby repeats and realleges all of the allegations set forth in Paragraphs 1 through 24, inclusive of this Complaint.

26. Upon information and belief, Fox shall hereafter continue to be requested to issue Voluntary Statutory Licenses to Users with respect to the Song concerning:

(a) phonorecords whose performances were fixed prior to the effective date of termination; and

(b) phonorecords embodying performances of arrangements of the Song made prior to the effective date of termination.

27. By reason of the conflicting demands of the defendants with respect to the issuance of Voluntary Statutory Licenses for the phonorecords described in Paragraph 26 of this complaint, Fox is, and shall be in great doubt as to (a) whether the Snyder Company should be therein identified as an owner of copyright in the Song; and (b) whether the Snyder Company should be paid monies received by Fox from Users pursuant to such Voluntary Statutory Licenses, all to the effect of placing Fox in jeopardy concerning its ability to conform to the demands of its publisher-principals unless and until this Court shall grant the declaratory and other relief herein sought by Fox.

WHEREFORE, Fox prays that this Court shall order, adjudge and declare as follows:

1. That defendants and each of them be restrained from instituting any action against Fox for the recovery of the Disputed Fund.

2. That defendants be required to interplead and settle between themselves their rights to the Disputed Fund, and that Fox be discharged of all liability with respect thereto.

3. That an order of this Court be entered directing Fox to pay the Additional Sums to such of the defendants as the Court shall direct and that pending the entry of such order Fox be directed by this Court to pay into the registry of this Court, within a reasonable time after its receipt, such Additional Sums as part of the Disputed Fund.

4. That with respect to the Song and the defendants, this Court shall adjudge and declare, from and after the effective date of termination:

(a) which defendant, as to the one-third interest in controversy, is the owner of rights under copyright, in respect of:

1) the phonorecords made pursuant to the pretermination licenses and the income derived therefrom;

2) the phonorecords made pursuant to the post-termination license and the income derived therefrom.

(b) which defendant, as to the one-third interest in controversy, is the owner of rights under copyright in respect of:

1) phonorecords thereafter made which embody performances of the Song as first fixed under Voluntary Statutory Licenses, prior to the effective date of termination;

2) phonorecords thereafter made under Voluntary Statutory Licenses which embody performances of arrangements of the Song first created prior to the effective date of termination.

3) the income derived from such phonorecords under the Voluntary Statutory Licenses.

5. That pending the determination of this Court of the issues herein and entry of a final judgment thereon, the defendants and each of them be restrained from instituting any action against Fox which is predicated upon the subject matter of this complaint.

6. For such other and further relief as to the Court may seem just and proper.

DATED: New York, New York
, 1980

SILVERMAN & SHULMAN, P.C.

By_____
Attorneys for Plaintiff
136 East 57th Street
New York, New York 10022
(212) 758-2020

Exhibit A to Complaint

The Harry Fox Agency, Inc.
110 East 59th Street
New York, New York 10022

May 1, 1970

The undersigned hereby authorizes you during the term hereof, to grant licenses for the United States and Canada for the manufacture of parts of instruments serving to reproduce mechanically, all musical compositions of which the undersigned is, or may hereafter become, copyright proprietor, or is possessed of, or may hereafter acquire, the authorization to grant such rights.*

Such licenses shall be granted under the compulsory license provision of the Copyright Act, as may be in effect from time to time, except that the royalty payable thereunder may be on the basis of each part manufactured and sold, and the terms of license agreements shall be subject to variation from time to time pursuant to instructions to you from the undersigned.

The undersigned shall at all times have the right, upon prior written notice to you, to exclude from this authorization any one or more compositions which the undersigned does not desire to be recorded. Licenses issued by you pursuant hereto, prior to your receipt of such notice, shall not be affected thereby.

You are hereby authorized, on behalf of the undersigned, to collect and receive all payments made under such licenses, and to acknowledge receipt therefor. It is understood that such payments received by you on behalf of the undersigned shall be distributed as soon as practicable to the undersigned without the payment of any interest thereon. The undersigned shall, however, receive its share of any interest earned on amounts which are deposited by you in special interest bearing accounts

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* Notwithstanding the foregoing, there are specifically excluded from this agreement all musical compositions contained in the so-called "Serious Music" catalogs of the Franco Colombo, Inc., Colfranc, Belwin, Inc., and Serious Division and Serious Divisions of Belwin-Mills Publishing Corp. Those serious works already with you in the catalogs of Mills Music, Inc. shall continue to be covered hereunder.

pending distribution which has been delayed by virtue of conflicting claims relating thereto. The undersigned's share of such interest shall be computed by your independent accountants in a manner to approach as closely as practicable a pro rata share thereof, and shall be distributed at the same time as the contested funds on which such interest has been earned.

You are hereby authorized, on behalf of the undersigned, to exercise any right of the undersigned to inspect the books and records of any licensee to whom you grant a license pursuant hereto. In the absence of express instructions to the contrary from the undersigned, you are further authorized, in event of disagreement or dispute with any such licensee, to enter into settlement agreements in your discretion on behalf of the undersigned with such licensee.

For your services rendered pursuant hereto you shall have the right to deduct and retain your normal commission applicable from time to time to similar publishers, which shall be equal to a percentage of all payments collected for the undersigned's account under such licenses. Such percentage shall initially be 3½% and shall be subject to change at any time on at least 30 days written notice from you to the undersigned stating the new rate and the date upon which it shall become effective; provided that if the new rate to be put into effect shall exceed 3½%, the effective date thereof shall be at least 90 days after the date of such notice and the undersigned shall have the right, exercisable by written notice to you given at least 30 days prior to the stated effective date of such change, to terminate this agreement, effective as of such effective date.

Subject to prior termination pursuant to the preceding paragraph, this authorization shall continue for an indefinite term, subject to the termination hereof by either party, at the end of any calendar quarter, upon 90 days prior written notice.

Licenses issued by you pursuant hereto, prior to the termination of this agreement, shall not be affected by such termination.

Dated: _____

BELWIN-MILLS PUBLISHING CORP. (ASCAP)

By _____[illegible]_____

Exhibit B to Complaint

The Harry Fox Agency, Inc.
110 East 59th Street
New York, New York 10022

The undersigned hereby authorizes you during the term hereof, to grant licenses for the United States and Canada for the manufacture of parts of instruments serving to reproduce mechanically, all musical compositions of which the undersigned is, or may hereafter become, copyright proprietor, or is possessed of, or may hereafter acquire, the authorization to grant such rights.

Such licenses shall be granted under the compulsory license provision of the Copyright Act, as may be in effect from time to time, except that the royalty payable thereunder may be on the basis of each part manufactured and sold, and the terms of license agreements shall be subject to variation from time to time pursuant to instructions to you from the undersigned.

The undersigned shall at all times have the right, upon prior written notice to you, to exclude from this authorization any one or more compositions which the undersigned does not desire to be recorded. Licenses issued by you pursuant hereto, prior to your receipt of such notice, shall not be affected thereby.

You are hereby authorized, on behalf of the undersigned, to collect and receive all payments made under such licenses, and to acknowledge receipt therefor. It is understood that such payments received by you on behalf of the undersigned shall be

distributed as soon as practicable to the undersigned without the payment of any interest thereon. The undersigned shall, however, receive its share of any interest earned on amounts which are deposited by you in special interest bearing accounts pending distribution which has been delayed by virtue of conflicting claims relating thereto. The undersigned's share of such interest shall be computed by your independent accountants in a manner to approach as closely as practicable a pro rata share thereof, and shall be distributed at the same time as the contested funds on which such interest has been earned.

You are hereby authorized, on behalf of the undersigned, to exercise any right of the undersigned to inspect the books and records of any licensee to whom you grant a license pursuant hereto. In the absence of express instructions to the contrary from the undersigned, you are further authorized, in event of disagreement or dispute with any such licensee, to enter into settlement agreements in your discretion on behalf of the undersigned with such licensee.

For your services rendered pursuant hereto you shall have the right to deduct and retain your normal commission applicable from time to time to similar publishers, which shall be equal to a percentage of all payments collected for the undersigned's account under such licenses. Such percentage shall initially be 3½% and shall be subject to change at any time on at least 30 days written notice from you to the undersigned stating the new rate and the date upon which it shall become effective; provided that if the new rate to be put into effect shall exceed 3½%, the effective date thereof shall be at least 90 days after the date of such notice and the undersigned shall have the right, exercisable by written notice to you given at least 30 days prior to the stated effective date of such change, to terminate this agreement, effective as of such effective date.

Subject to prior termination pursuant to the preceding paragraph, this authorization shall continue for an indefinite term, subject to the termination hereof by either party, at the end of any calendar quarter, upon 90 days prior written notice.

Licenses issued by you pursuant hereto, prior to the termination of this agreement, shall not be affected by such termination.

Dated: July 28, 1980

TED SNYDER MUSIC PUBLISHING COMPANY

By /s/ Ted Snyder, Jr.

Exhibit C to Complaint

THE HARRY FOX AGENCY, INC.
110 East 59th Street
New York, New York 10022

Received July __, 1979

TO: RCA RECORDS A DIVISION OF RCA CORPORATION

LICENSE NO. 9172-034
JUNE 21, 1979

Refer to provisions of this agreement reproduced on reverse side varying terms of compulsory license provision of Copyright Act. The following is supplementary thereto:

A. TITLE Who's Sorry Now

WRITERS T. Snyder, B. Kalmar, H. Ruby

B. PUBLISHER(S) AND PAYMENT PERCENTAGE
Mills Music Inc. 100.

C. RECORD NO. RD4/5/6-147

ARTIST Nat King Cole

ROYALTY RATE Statutory

D. ADDITIONAL PROVISIONS
This agreement is limited to the United States, its territories and possessions.

READER'S DIGEST 'The Unforgettable Nat King Cole'

DATE OF RELEASE November 8, 1978

Very truly yours,

THE HARRY FOX AGENCY, INC.

[illegible]

We acknowledge receipt of a copy hereof:

RCA RECORDS A DIVISION OF RCA CORPORATION

[illegible]

You have advised us, in our capacity as Agent for the Publisher(s) referred to in (B) supra, that you wish to obtain a compulsory license to make and to distribute phonorecords of the copyrighted work referred to in (A) supra, under the compulsory license provision of Section 115 of the Copyright Act.

Upon your doing so, you shall have all the rights which are granted to, and all the obligations which are imposed upon, users of said copyrighted work under the compulsory license provision of the Copyright Act, after phonorecords of the copyrighted work have been distributed to the public in the United States under the authority of the copyright owner by another person, except that with respect to phonorecords thereof made and distributed hereunder:

1. You shall pay royalties and account to us as Agent for and on behalf of said Publisher(s) quarterly, within forty-five days after the end of each calendar quarter, on the basis of phonorecords made and distributed;

2. For such phonorecords made and distributed, the royalty shall be the statutory rate in effect at the time the phonorecord is made, except as otherwise stated in (C) supra;

3. This compulsory license covers and is limited to one particular recording of said copyrighted work as performed by the artist and on the phonorecord number identified in (C) supra; and this compulsory license does not supersede nor in any way affect any prior agreements now in effect respecting phonorecords of said copyrighted work;

4. In the event you fail to account to us and pay royalties as herein provided for, said Publisher(s) or his Agent may give written notice to you that, unless the default is remedied within 30 days from the date of the notice, this compulsory license will be automatically terminated. Such termination shall render either the making or the distribution, or both, of all phonorecords for which royalties have not been paid, actionable as acts of infringement under, and fully subject to the remedies provided by, the Copyright Act;

5. You need not serve or file the notice of intention to obtain a compulsory license required by the Copyright Act;

6. Additional provisions are reproduced under (D) supra.

• • •

THE HARRY FOX AGENCY, INC.
110 East 59th Street
New York, New York 10022

Received July 17, 1979

TO: RCA RECORDS A DIVISION OF RCA CORPORATION

LICENSE NO. 9176-485
JULY 19, 1979

Refer to provisions of this agreement reproduced on reverse side varying terms of compulsory license provision of Copyright Act. The following is supplementary thereto:

A. TITLE Who's Sorry Now

WRITERS T. Snyder, B. Kalmar, H. Ruby

B. PUBLISHER(S) AND PAYMENT PERCENTAGE
Mills Music Inc. 100.

C. RECORD NO. RD4/5/6- 147-2

ARTIST Nat King Cole

ROYALTY RATE 75% of Statutory

D. ADDITIONAL PROVISIONS
This agreement is limited to the United States, its territories and possessions.

Royalties payable hereunder shall not be applied to returns of any other recording of this composition or any other compositions of the publisher. This reduced rate shall not be reduced further for any reason.

READER'S DIGEST 'The Unforgettable Nat King Cole'

DATE OF RELEASE March 28, 1979

Above rate is granted based upon an advance payment of $2,062.00 upon receipt of this agreement.

Very truly yours,

We acknowledge receipt of a copy hereof:

THE HARRY FOX AGENCY, INC.

[illegible]

RCA RECORDS A DIVISION OF RCA CORPORATION

[illegible]

You have advised us, in our capacity as Agent for the Publisher(s) referred to in (B) supra, that you wish to use the copyrighted work referred to in (A) supra, under the compulsory license provision of Section 1(e) of the Copyright Act upon the parts of instruments serving to reproduce mechanically the copyrighted work.

Upon your doing so, you shall have all the rights which are granted to, and all the obligations which are imposed upon, users of said copyrighted work under the compulsory license provision of the Copyright Act, after use or permission or knowing acquiescence by the said Publisher(s) in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the copyrighted work (viz: phonograph records) by another person, except that with respect to records thereof manufactured by you:

1. You shall pay royalties and account to us as Agent for and on behalf of said Publisher(s) quarterly on the basis of records manufactured and sold;

2. For such records manufactured, the royalty shall be the statutory rate except as otherwise stated in (C) supra;

3. This agreement covers and is limited to one particular recording of said copyrighted work as performed by the artist and on the record number identified in (C) supra; and this agreement does not supersede nor in any way affect any prior

agreements now in effect respecting recordings of said copyrighted work;

4. In the event you fail to account to us and pay royalties as herein provided for, said Publisher(s) shall have the right to repudiate and revoke this agreement by giving you written notice to such effect;

5. You need not serve or file the notices required by the Copyright Act;

6. This agreement does not cover any recording of said copyrighted work in excess of five minutes of playing time;

7. Additional provisions are reproduced under (D) supra.

[Remainder of Exhibit C and Appendix omitted in printing]

Answer and Counterclaim of Defendant Mills Music, Inc.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

Defendant, MILLS MUSIC, INC. ("Mills"), by its attorneys, Parcher & Herbert, P.C., for its Answer and Counterclaim in this action, alleges:

1. As to Paragraph 1 of the Complaint, admits the allegations set forth therein, except denies knowledge or information sufficient to form a belief as to the amount of the alleged interpleader fund and, as to the extent, if any, that defendants Marie Snyder and Ted Snyder, Jr. d/b/a Ted Snyder Music Publishing Co. ("Snyder Co.") have asserted a claim to said fund.

2. As to Paragraph 2 of the Complaint, admits the allegations set forth therein, except denies knowledge or information sufficient to form a belief as to the number of music publisher-principals for whom plaintiff acts as a licensing and collecting agent.

3. As to Paragraph 4 of the Complaint, denies knowledge or information sufficient to form a belief as to the allegations set forth therein.

4. As to Paragraph 5 of the Complaint, admits the allegations set forth therein, except denies knowledge or information sufficient to form a belief as to plaintiff's customary business practices.

5. As to Paragraph 6 of the Complaint, admits the allegations set forth therein, insofar as those allegations pertain to defendant Mills, and denies knowledge or information sufficient to form a belief as to those allegations pertaining to defendant Snyder Co.

6. As to Paragraph 9A of the Complaint, denies the allegations set forth therein, except admits generally that the provisions of The Copyright Act of 1909 (the "1909 Act") and The Copyright Act of 1976 (the "1976 Act") speak for themselves, and further and more specifically admits that the duration of Mills' copyright in the musical composition entitled "Who's Sorry Now?" (the "Song") has been extended for an additional nineteen (19) year period to and including the year 1998, in accordance with the express provisions of Section 304(b) of the 1976 Act.

7. As to Paragraph 9B of the Complaint, denies the allegations set forth therein, except admits generally that the provisions of Section 304(c) of the 1976 Act speak for themselves.

8. With respect to Paragraph 10 of the Complaint, denies knowledge or information sufficient to form a belief as to the allegations set forth therein, except admits that, on or about January 3, 1978, defendant Mills received a written notice identifying, as issuers, defendants Marie Snyder and Ted Snyder, Jr., in their alleged capacities as widow and child of Ted Snyder, Sr., and which, pursuant to Section 304(c) of the 1976 Act, purports to terminate, effective January 3, 1980, (hereinafter sometimes referred to as the "effective date of termination") that portion of Mills' publishing rights in and to the Song, commensurate with the one-third (1/3) Ted Snyder interest (the "Ted Snyder Claimed Interest").

9. As to Paragraph 11 of the Complaint, denies knowledge or information sufficient to form a belief as to the allegations set forth therein.

10. As to Paragraph 12A of the Complaint, admits that, prior to January 3, 1980, plaintiff, on behalf of defendant Mills, issued certain licenses to third-parties permitting the manufacture and sale of phonorecords embodying recorded performances of the Song, as exemplified by the licenses, copies of which are collectively annexed to the Complaint as Exhibit "C" ("Pre-Termination Licenses"), but denies that Exhibit "C" to the Complaint includes all licenses issued by

plaintiff on behalf of defendant Mills with respect to phonorecords embodying a performance of the Song, originally recorded ("fixed"), and licensed prior to the effective date of termination.

11. As to Paragraph 12B of the Complaint, denies knowledge or information sufficient to form a belief as to the allegations set forth therein, except admits that, subsequent to January 3, 1980, plaintiff, on behalf of defendant Mills, issued a license, a copy of which is annexed to the Complaint as Exhibit "D", permitting the manufacture and sale of phonorecords embodying a performance of the Song, fixed *prior* to the effective date of termination (the "Post-Termination License").

12. As to Paragraph 13 of the Complaint, denies knowledge or information sufficient to form a belief as to the allegations set forth therein, except admits that, since January 3, 1980, plaintiff has paid to Mills royalties in the sum of Two Thousand Six Hundred Eighty-Six Dollars and Eighty-Two Cents ($2,686.82) generated from the commercial exploitation by licensees of phonorecords embodying performances of the Song which were fixed prior to the effective date of termination.

13. As to Paragraphs 14A of the Complaint, denies knowledge or information sufficient to form a belief with respect to the nature and substance of demands, if any, made upon plaintiff by defendant Snyder Co. with respect to the Song.

14. As to Paragraphs 15, 16, 17 and 19 of the Complaint, denies knowledge or information sufficient to form a belief as to the existence of conflicting demands as between defendants Mills and Snyder Co., if any, and further denies that, assuming such a conflict exists, the resolution of such conflict depends upon a construction or interpretation of the provisions of the 1976 Act, which provisions are clear, precise and unambiguous.

15. As to Paragraph 18 of the Complaint, denies the allegations set forth therein; further denies the necessity of articulating in the pleadings, prior to discovering the nature and extent of the conflicting positions, if any, the issues to be ultimately decided in this action; and generally admits that this Court must determine whether the phonorecords made pursuant to the licenses issued by plaintiff, all of which embody performances of the Song, fixed prior to the effective date of termination, constitute "derivative works" within the meaning of Section 101 of the 1976 Act so as to render such phonorecords and the commercial exploitation thereof exempt, pursuant to Sections 304(c) (6) (A) and (B), from the effects of such termination. Inasmuch as none of the licenses herein relate to phonorecords embodying a performance of an "arrangement" of the Song, any issue concerning "arrangements" is purely of an advisory nature and defendant Mills reserves its right to assert a position on this issue until such time as it is determined that such an issue is appropriate to these proceedings.

COUNTERCLAIM

16. Defendant Mills is a Delaware corporation with offices at 1776 Broadway, New York, New York and is engaged in the business of publishing and otherwise commercially exploiting copyrighted musical compositions.

17. Plaintiff, The Harry Fox Agency, Inc. ("Fox") is a New York corporation with offices at 110 East 59th Street, New York, New York. Fox is engaged in the business of acting as a licensing and collecting agent for Mills and other musical publisher-principals with respect to, among other things, the use by manufacturers of phonorecords ("Users") of the copyrighted musical compositions owned or controlled by Mills and the other music publisher-principals.

18. In its capacity as licensing and collection agent for Mills, Fox has issued and continues to issue, on behalf of and in accordance with instructions from Mills, written authorizations with respect to the right to make and distribute phonorecords embodying the fixation of performances of the copyrighted musical compositions owned or controlled by Mills.

19. Fox has engaged, and is presently engaging, in such activity on behalf of Mills, pursuant to an agreement, a copy of which is annexed to the Complaint as Exhibit "A" (the "Agency Agreement").

20. Pursuant to the Agency Agreement, Fox has a direct and fiduciary obligation to Mills to issue licenses on its behalf in a manner which correctly reflects Mills' copyright ownership with respect to the musical compositions which Mills owns and controls, and is required to pay over to Mills those monies collected by Fox under such licenses and in accordance with Mills' ownership interest.

21. Customarily, with respect to the musical compositions owned and controlled by Mills, Fox, after deducting and retaining its three and one-half (3½%) percent agency commission, remits all monies generated by the Mills compositions to Mills directly, and Mills remits fifty (50%) percent of the monies which it receives to the writers of the compositions, as the writers' share.

22. The musical composition entitled "Who's Sorry Now?" (the "Song") was written by Ted Snyder, Burt Kalmar and Harry Ruby, as equal co-authors, and was first published on March 7, 1923.

23. The original copyright to the Song was registered in the name of Waterson, Berlin & Snyder Co. ("Waterson"), a publishing company which, upon information and belief, was, in part, owned by Ted Snyder, one of the co-authors of the Song. A copy of the original copyright registration is annexed hereto as Exhibit 1.

24. Following its adjudication in bankruptcy on or about August 29, 1929, Waterson, by Assignment of Copyright dated February 9, 1932 (the "Assignment") transferred to Mills all its right, title and interest in and to numerous musical works and their attendant copyrights, including the Song. A copy of the Assignment is annexed hereto as Exhibit 2.

25. On February 11, 1932, Mills duly recorded the Assignment in the Copyright Office. A copy of the official Copyright Registration, attesting to the recordation of the Assignment, is annexed hereto as Exhibit 3.

26. By renewal agreements and accompanying assignments dated June 20, 1940 with respect to Ted Snyder, June 30, 1944 with respect to Bert Kalmar, and December 22, 1944 with respect to Harry Ruby, co-authors Snyder, Kalmar and Ruby assigned to Mills all their right, title and interest in and to the renewal copyrights of many musical compositions, including the Song.

27. Pursuant to the specific terms of the renewal agreements referred to in Paragraph 26 hereof, Mills was, at all times, contractually obliged to pay over to Messrs. Snyder, Kalmar and Ruby, as equal co-authors of the Song, fifty (50%) percent of all income actually received by Mills in connection with licenses issued by or on behalf of Mills which permit commercial exploitation of the Song on player-piano rolls, phonograph records, discs, or any other forms of mechanical reproduction. A copy of the Snyder, Kalmar and Ruby renewal agreements and related assignments (hereinafter sometimes referred to as the "Grant") are collectively annexed hereto as Exhibit 4.

28. On March 1, 1951, claim to the renewal copyright with respect to the Song was duly registered by Mills in the Copyright Office. A copy of the Certificate of Registration is annexed hereto as Exhibit 5.

29. On May 16, 1958, Mills, in accordance with the requirements set forth in Section 1(e) of Title 17, United States Code, duly filed with the Copyright Office a Notice of Use of Music on Mechanical Instruments ("Notice of Use") with respect to the Song. A copy of the Notice of Use is annexed hereto as Exhibit 6.

30. During the years 1951 to and including 1980, a period encompassing the renewal term of copyright with respect to the Song, Mills, pursuant to the Grant, either directly, or by Fox,

as its licensing agent, issued approximately four hundred nineteen (419) licenses to Users for the purpose of permitting, in each instance, use of the Song in connection with the issuance or reissuance of phonorecords. The number of said licenses granted per annum was as follows:

1951 - 4	1952 - 9
1953 - 7	1954 - 3
1955 - 5	1956 - 12
1957 - 11	1958 - 48
1959 - 31	1960 - 16
1961 - 25	1962 - 22
1963 - 13	1964 - 14
1965 - 12	1966 - 14
1967 - 19	1968 - 12
1969 - 18	1970 - 15
1971 - 8	1972 - 5
1973 - 17	1974 - 16
1975 - 16	1976 - 9
1977 - 13	1978 - 9
1979 - 6	1980 - 9
Total:	419

31. During the six-month reporting period ended December 31, 1971, to and including the six-month period ended June 30, 1980, total income generated from the issuance by or on behalf of Mills of licenses for use of the Song on phonorecords amounted to approximately $142,633.53. This income was earned over eighteen (18) six-month reporting periods, as follows:

For Period Ended	*Total Income*
12/31/71	$ 4,381.92
6/30/72	4,538.16
12/31/72	6,549.34
6/30/73	7,916.27
12/31/73	4,789.08

For Period Ended	*Total Income*
6/30/74	9,054.78
12/31/74	6,272.16
6/30/75	8,034.63
12/31/75	6,808.14
6/30/76	9,199.36
12/31/76	7,383.92
6/30/77	6,010.93
12/31/77	7,055.71
6/30/78	5,952.38
12/31/78	12,426.91
6/30/79	14,666.01
12/31/79	8,625.73
6/30/80	12,968.10
Total:	$147,633.53

32. At the close of each six-month reporting period referred to in Paragraph 31 hereof, Mills, in accordance with its contractual obligations under the Grant, transmitted to the co-authors of the Song, or their representatives, fifty (50%) percent of the total income generated during the period, each co-author receiving his proportionate one-third (1/3) share of the distributed proceeds.

33. On January 3, 1978, Mills received a Notice of Termination pursuant to Section 304(c) of the 1976 Act, purportedly issued by Marie Snyder and Ted Snyder, Jr., in their alleged capacities as widow and child of the deceased composer, Ted Snyder, respectively, and purporting to terminate, effective January 3, 1980, Mills' copyright rights in and to the Song to the extent of the Snyder one-third (1/3) interest therein. This Notice of Termination pertains to numerous compositions authored or co-authored by Ted Snyder and includes the Song. A copy of the Notice of Termination is annexed hereto as Exhibit 7.

34. All phonorecords embodying a recorded performance of the Song are "sound recordings" and, as such, constitute

"derivative works", as expressly defined in Section 101 of the 1976 Act.

35. All of the sound recordings (*i.e.*, derivative works) which are the subject of the licenses issued by Fox, copies of which are annexed as Exhibits "C" and "D" to the Complaint, embody recorded performances fixed or "prepared" prior to the effective date of termination.

36. All of the sound recordings referred to in Paragraph 35 hereof were "prepared" under authority of the Grant.

37. All of the sound recordings referred to in Paragraph 35 hereof are exempt from the effects of termination and may continue to be utilized *by Mills*, as in the past.

38. On the basis of the foregoing, with respect to all phonorecords embodying recorded performances of the Song fixed prior to the effective date of termination, Mills, or Fox on behalf of Mills, may continue to license such phonorecords and be designated on such licenses as the sole copyright proprietor, and may continue to receive all income generated from all licenses relating to such pre-termination recorded product, subject only to Mills' continuing obligation, as in the past, to remit fifty (50%) percent of such income to the co-authors of the Song, or their representatives, in accordance with their equal one-third (1/3) co-author shares.

39. Plaintiff is presently withholding from Mills royalties in an amount equal to or in excess of one thousand three hundred forty-three dollars and forty-one cents ($1,343.41) representing income from phonorecords embodying performances of the Song fixed prior to the effective date of termination and issued pursuant to the licenses constituting Exhibits "C" and "D" to the Complaint. All such income is presently due and owing to Mills, subject only to Mills' obligation to remit fifty (50%) percent thereof to the co-authors of the Song, in equal one-third (1/3) shares.

40. Mills has demanded that Fox remit said sum forthwith, but Fox has declined to do so and, instead, has commenced this interpleader proceeding.

WHEREFORE, defendant MILLS demands judgment:

A. Declaring that Mills, or Fox on Mills' behalf, has the exclusive right to issue or reissue licenses and be designated as sole copyright owner thereon with respect to all phonorecords embodying performances of the Song fixed prior to the effective date of termination;

B. Declaring that Mills may continue to receive all income generated by all licenses pertaining to phonorecords embodying performances of the Song fixed prior to the effective date of termination, subject only to Mills' obligation to remit fifty (50%) of such proceeds received to the co-authors of the Song, in equal, one-third (1/3) shares;

C. Requiring Fox, with respect to all phonorecords embodying performances of the Song fixed prior to the effective date of termination, to issue licenses identifying Mills as the sole copyright proprietor and to remit to Mills all income (less the Fox commission) generated from such licenses, including the amount presently withheld, subject only to Mills' continuing obligation to remit fifty (50%) percent of the proceeds received to the co-authors, in equal, one-third (1/3) shares; and

D. Awarding such other and further relief as to this Court seems just and proper, including interest and costs.

Dated: New York, New York
March 6, 1981

PARCHER & HERBERT, P.C.
Attorneys for Defendant
Mills Music, Inc.
10 East 40th Street
New York, New York 10016
(212) 689-5606

By: /s/ Peter A. Herbert
A Member of the Firm

[Exhibits 1 and 3 omitted in printing]

Exhibit 2 to Answer and Counterclaim of Defendant Mills Music, Inc.

ASSIGNMENT OF COPYRIGHT

KNOW ALL MEN BY THESE PRESENTS that IRVING TRUST COMPANY, a New York banking corporation, as Trustee in Bankruptcy of WATERSON, BERLIN & SNYDER CO., a New York Corporation, which was adjudicated a bankrupt in the United States District Court, Southern District of New York, on August 29th, 1929, in consideration of the sum of One ($1.00) Dollar and other good and valuable consideration, to it in hand paid by MILLS MUSIC, INC., a New York corporation, receipt of which is hereby acknowledged, does hereby assign, transfer and set over unto MILLS MUSIC, INC., its successors and assigns, all its right, title and interest in and to the musical works and copyrights attached to the schedule marked "Exhibit A" and made part hereof.

This assignment is made without any representations or warranty, and is without recourse to Irving Trust Company individually or as Trustee.

In furtherance of this assignment, the undersigned agrees, upon demand, to sign, execute and acknowledge any and all further instruments or papers which may be necessary or proper to effectuate and carry out the assignment and transfer herein, pursuant to order of Hon. Oscar W. Ehrhorn, Referee in Bankruptcy, dated October 16, [illegible].

IN WITNESS WHEREOF, the undersigned has caused these presents to be signed by its duly authorized officer and its corporate seal to be hereunto affixed this 9th day of February, 1932.

IRVING TRUST COMPANY, *as Trustee in Bankruptcy of Waterson, Berlin & Snyder Co.*

By /s/ JOSEPH T. STEARNS
Assistant Secretary

Attest:

/s/ [Illegible]
Assistant Secretary

[SEAL]

STATE OF NEW YORK,
COUNTY OF NEW YORK, ss:

On this 9th day of February, 1932, before me personally came Joseph T. Stearns, to me known, who, being by me duly sworn, did depose and say that he resides in the Borough of Manhattan, City of New York, that he is an Assistant Secretary of IRVING TRUST COMPANY, the corporation described in and which executed the above instrument, as Trustee in Bankruptcy; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

/s/ ALMA BERGER

ALMA BERGER
Notary Public, Queens County
Queens Co. Clk's No. 3879 Reg. No. 77890
Certificate filed N.Y. County
[illegible]

[SEAL]

• • • • •

"WHO'S SORRY NOW" by Bert Kalmar, Harry Ruby and Ted Snyder. Copyrighted March 7th, 1923, # 560717.

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Exhibit 4 To Answer and Counterclaim of Defendant Mills Music, Inc.

MEMO FROM JACK MILLS

June 5 1940

Memo to Mr. L. Schwartz

Attached is signed letter from Ted Snyder dated May 21 1940 wherein he grants to Mills Music, Inc. the rights to renew all copyrights and to publish his entire catalogue of printed songs, etc.

Jack Mills

May 21st. 1940.

Mills Music Inc.
1619 Broadway.
New York City, N.Y.

Dear Jack:

For an advance of $1 and other valuable considerations, I do hereby grant to Mills Music Inc. the rights to renew all copyrights and to publish my entire catalogue of printed songs.

This is to include all songs that are up for renewal now and all future renewals of copyright.

Very sincerely,

/s/ TED SNYDER

Ted Snyder.

June 20th, 1940

Mills Music, Inc.
1619 Broadway
New York City

Gentlemen:

This is our agreement:

In consideration of your hereby agreeing to pay me royalties when earned and when due as hereinafter provided for, and of your further agreeing to pay me an advance of Five Hundred ($500.00) Dollars as against said royalties, said advance to be paid as follows: One Hundred ($100.00) Dollars upon the signing and execution of this agreement, and Fifty ($50.00) Dollars each and every week thereafter for the next eight (8) consecutive weeks, I, Ted Snyder of No. 8288 Presson Place, Los Angeles, Calif. (also known as Theodore F. Snyder), do hereby sell, assign, transfer and set over unto you, your successors and assigns, for your own use and benefit, the renewal of the copyright in and for the United States, of the musical compositions hereto attached and marked Schedule "A", together with all my right title and interest, both legal and equitable, in and to the same, it being understood and agreed that the said musical compositions and the copyright thereof, and each and every right therein, whether now known or hereafter to become known, are and shall be your sole and exclusive property, your successors and assigns, to have and to hold absolutely and forever. In part consideration hereof, I further covenant and agree promptly to apply for renewal copyrights on all of my compositions which from time to time may hereafter fall due and are now part of your catalogue, whether I was the sole author thereof or collaborated with others and which vest in me the right to make copyright applications on all such compositions as provided by the United States Copyright Act and in which I have any right, title and

interest or control whatsoever, in whole or in part, and I further covenant and agree with you to stand seized and possessed of all such renewal copyrights and of all applications therefor, and of all rights in or to any of such compositions for you and for your sole and exclusive benefit, and I agree from time to time, upon your request and at your expense, to sign, execute and deliver to you any and all instruments that may be deemed necessary or desirable to vest directly in you the title to all such renewal copyrights or applications therefor, and all rights in and to any of such compositions. I further agree, at your request, to authorize you and hereby authorize you as my exclusive agent and representative, to file all necessary papers in my behalf, to obtain such renewal copyrights as and when the right to obtain such renewal copyrights shall fall due, and vest in me that right, and I further agree that when such renewal copyrights are duly issued and obtained they shall automatically become vested in you as the sole owner thereof, and your successors and assigns.

After first deducting all advance royalties heretofore paid as above provided for, and any other sums that may have been advanced to me under the terms of this agreement, the following royalties shall be payable to me during your customary semi-annual royalty period each year, as follows: three (3¢) cents per copy upon each and every regular pianoforte copy, and two (2¢) cents per copy for each orchestration sold, paid for and not returned by virtue of the rights herein acquired, and a sum equal to fifty (50%) per cent of all net royalties actually received by you for the mechanical reproduction of said musical compositions on player-piano rolls, phonograph records, disks or any other form of mechanical reproduction, for licenses issued under said renewal copyrights; and on all compositions herein transferred where there are other authors, collaborators or co-owners, such royalties shall be divided into as many equal parts as there are authors, collaborators, or co-owners, and in such cases, I shall

receive my equal part in lieu of the royalties herein specified.

I agree to forever warrant and defend the aforesaid sale and transfer, and each and every part thereof, and each and every right thereto and agree to save and keep you harmless, and fully indemnify you from any and all claims, demands, actions at law or suits in equity, loss, damages, costs, attorney's fees, recoveries, or penalties; hereby granting to you express authority, at the sole expense of myself, to employ attorneys to defend the right, title and interest of yours in and to the aforesaid composition or compositions, and to take any other steps necessary to protect these rights; and in this connection to settle, compromise or in any other manner dispose of any matter, claim, demand action or proceeding, and to deduct from the royalties due, or to become due any and all loss or expense occasioned by any such claim, demand, action, matter or proceedings, or at your option to make demand therefor upon me; and I further authorize you, whenever in your opinion, your right, title or interest to any of my compositions are disputed or there is a breach of any of the warranties or representations in this or any similar agreement, to withhold any and all royalties that may be due or become due pursuant to any or all such agreements until such question shall have been settled or such breach repaired.

I hereby consent to the assignment of this contract and/or the aforesaid musical composition or compositions and/or the copyright thereof and/or any or all of the rights therein, by you or by operation of law, to any person, firm or corporation whatsoever, subject, however, to the payment of the royalties herein specified.

/s/ TED SNYDER (L.S.)

Ted Snyder
(Also known as
Theodore F. Snyder)

I, MARIE SNYDER, wife of TED SNYDER, have read the above agreement, understand fully all of its terms and conditions, and agree to be bound thereby.

/s/ MARIE SNYDER (L.S)
Marie Snyder

STATE OF CALIFORNIA,
COUNTY OF LOS ANGELES, ss:

On this 20 day of June, 1940, before me personally appeared TED SNYDER and MARIE SNYDER, to me known and known to me to be the individuals described in and who executed the foregoing instrument, and they duly acknowledged to me that they executed the same.

/s/ ANNE LELAND
Notary Public-Los Angeles County
My Commission Expires Feb. 7, 1942

Agreed and approved by
Mills Music, Inc.

By: /s/ J. MILLS
President.

SCHEDULE "A"

TED SNYDER 1908

Title		*Date*	*Number*
Grandma		9/25/35	R 39683
Words by Alfred Byran	Music by Ted Snyder	5/4/36	R 44985
I'm In Love With the Man In the Moon		8/15/36	R 46882
Words by Alfred Bryan	Music by Ted Snyder	7/20/35	R 38805
If You Cared For Me As I Cared For You		1/18/36	R 42579
Words by Ed Rose	Music by Ted Snyder	2/15/35	R 36361
It's The Pretty Things You Say Dear		6/5/36	R 45644
Words by Alfred Bryan	Music by Ted Snyder	7/20/35	R 38807
Make Me Laugh		3/16/36	R 43614
Words by Alfred Bryan	Music by Ted Snyder	7/20/35	R 38801
My Dream of the U.S.A.			
Words by Leonard Chick & Chas. Roth		7/5/35	R 38464
Music by Ted Snyder			
My Wild Deer		5/4/36	R 44984
Words by Alfred Bryan	Music by Ted Snyder	9/25/35	R 39682
There'll Come A Day		6/5/36	R 45639
Words by Al Bryan	Music by Ted Snyder	10/18/35	R 40077

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TED SNYDER 1909

Beautiful Eyes			
Words by Geo. Whiting	Music by Ted Snyder	6/25/36	R 46077
Broadway Belles			
Words by Julian Eltinge	Music by Ted Snyder	4/27/36	R 44828
Could You Grow Fond of a Nice Young Blond		6/14/37	R 57625
Words by Monroe H. Rosenfield		6/19/36	R 45917
Music by Ted Snyder			
I'll Give A Penny For Your Thoughts			
Words by Sam M. Lewis	Music by Ted Snyder	4/10/36	R 44456
I've Got To Get Some Money			
Words by Ed Rose	Music by Ted Snyder	2/14/36	R 42656

Kid That Opens Up and Closes Broadway Words by Carter De Haven Music by Ted Snyder	10/13/36	R 47801
Mc Elwee Words by Geo. Whiting Music by Ted Snyder	2/11/37 6/25/36	R 54962 R 46076
Move on Mr. Moon Words by Ed Rose Music by Ted Snyder	3/10/36	R 43620
Oh Oh Oh What I'd Do For A Girl Like You Words by Geo. Whiting Music by Ted Snyder	9/29/37 10/7/36	R 60727 R 47605
Roses and Memories Words by Monroe H. Rosenfield Music by Ted Snyder	8/30/36	R 47133
Say No That's All Words by Frank J. Conroy Music by Ted Snyder	5/22/36 9/29/37	R 45175 R 60416
When Other Hearts Have Closed Their Doors Words by Benji. F. Barnett Music by Ted Snyder	6/5/36	R 45639
I'm Going To Do What I Please Words by Al Bryan Music by Ted Snyder	4/18/36	R 44702
Carnival Maid March by Ted Snyder	2/26/37	R 55423
Dancing Sunshine Words by Bartley Costello Music by Ted Snyder	3/26/37	R 55419
De Time to Cotch A Possum Words by Carl Stewart Music by Ted Snyder	2/16/37	R 55425
Foxy Moon Words by Geo. Whiting Music by Ted Snyder	9/29/37	R 60415
I'm Going to Do What I Please Words by Al Bryan. Music by Ted Snyder	11/1/37	R 55428
Katie My Sweet Colleen Words by John B. Lowitz Music by Ted Snyder	1/23/37	R 54959
My Bambazoo Words by Norman Stadiger Music by Ted Snyder	2/11/37	R 54958

Ogalalla Words by Vincent Bryan Music by Ted Snyder	10/2/37 6/18/37	R 59651 R 58702
Only Lonely Little Me Words by Fred Ellwood Music by Ted Snyder	2/11/38	R 54857
Roses and Memories Words by Monroe H. Rosenfeld Music by Ted Snyder	7/20/37	R 57634
Skinny Words by Harry B. Lester Music by Ted Snyder	10/27/37	R 60528
Star Rose and the Dream Words by Albert Lange Music by Ted Snyder	6/14/37	R 58681
When He Sings the Songs My Mother Sang To Me Words by Wm. Gamble Music by Ted Snyder	10/27/37	R 60548
When Other Hearts Have Closed Their Doors Words by Benj. F. Barnett Music by Ted Snyder	2/26/37	R 55427
When the Humming Birds Return Words by Edgar T. Farron Music by Ted Snyder	2/26/37	R 55424
Where Do We Go From Here Bill Words by Geo. Whiting Music by Ted Snyder	10/27/37	R 60549
Ask My Mother Words by Bert Kalmar Music by Ted Snyder	11/15/38	R 69751
Cancle That Wedding March Words by Bert Kalmar Music by Ted Snyder	9/9/38	R 68879
Eight Little Letters Make Three Little Words Words by Bert Kalmar Music by Ted Snyder	9/9/38	R 68896
He's Coming Back Words by Bert Kalmar Music by Ted Snyder	9/9/38	R 68899
In the Land of Harmony Words by Bert Kalmar Music by Ted Snyder	9/9/38	R 68898
Maybe You're Not The Right One After All Words by Bert Kalmar Music by Ted Snyder	11/15/38	R 37862
My Dream of the Union Jack Chas. Roth Leonard Chick Music by Ted Snyder	5/23/38	R 66997

Exhibit 5 of Answer and Counterclaim of Defendant Mills Music, Inc.

REGISTRATION NO. R 75048 FORM R

[SEAL]

CERTIFICATE OF REGISTRATION OF A CLAIM TO THE RENEWAL OF A COPYRIGHT

THIS IS TO CERTIFY that the statements set forth on this page for the work herein named have been made a part of the records of the Copyright Office. In witness whereof the seal of the Copyright Office is hereto affixed.

SAM B. WARNER
Register of Copyrights
United States of America

1. Name of claimant or claimants of the renewal copyright:

(a) Jessie Kalmar, 448 Riverside Dr., New York, N.Y.
claiming as Widow of Co-Author of Words

(b) Harry Ruby, 514 North Elm Drive, Beverly Hills, Calif.
claiming as Co-Author of Words

(c) Ted Snyder, 3895 Fredonia Dr., Hollywood, Calif.
claiming as Author of Music

2. Complete title of work WHO'S SORRY NOW?
Voice & Piano

3. Names of all authors of renewable matter:

w: Bert Kalmar and Harry Ruby
m: Ted Snyder

4. Facts of original registration:

Original registration number. CLASS E xxc.
No. 560717

If registered as published Mar. 7, 1923

If registered as unpublished _____

Original copyright claimant Waterson, Berlin & Snyder Co.

SEND CERTIFICATE, REFUND (IF ANY), AND OTHER COMMUNICATIONS TO:

Name Mills Music, Inc.

Address 1619 Broadway
New York 19 N.Y.

FOR COPYRIGHT OFFICE USE ONLY
DATE OF RECEIPT OF APPLICATION MAR - 1 19??

INSTRUCTIONS FOR SECURING REGISTRATION OF CLAIMS TO RENEWAL COPYRIGHT

The Copyright Act provides that a renewal copyright may be obtained when application for such renewal shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright. The original copyright term is 28 years, which for a published work begins on the date of publication, and in the case of a work originally registered as unpublished, commences on the date of registration. Hence, the application for renewal copyright must be received in the Copyright Office within the last year of the first term of 28 years, measured from the exact date on which the original copyright began. All renewals are for an additional term of 28 years. When filling in the renewal application be sure that all the required information is correctly supplied in the applicable spaces on both pages 1 and 1a of Form R. The complete form (all pages) should be sent with the statutory fee of $2, for registration and certificate, to the Register of Copyrights, Library of Congress, Washington 25, D.C. It is not necessary that copies of the work be again deposited.

• • • •

PERSONS WHO ARE ENTITLED TO CLAIM THE RENEWAL COPYRIGHT

When the author is living and application is made by or for him, the words "the author" should be inserted in the blank left for that purpose in item 1 (on pages 1 and 1*a* of the application and certificate) after the words "claiming as".

If the author is not living and application is made by:

(*a*) the widow or widower, then the words "the widow of the author" or "the widower of the author" should be inserted after the words "claiming as".

(*b*) the child or children of the deceased author, then the words "the child of the deceased author" or "the children of the deceased author" should be inserted after the words "claiming as".

(*c*) the executors of the will of the author, then the words "the executors of the author" should be inserted after the words "claiming as".

(*d*) the next of kin of the author, then the words "the next of kin of the author, who is not living, there being no will", should be inserted after the words "claiming as".

Renewal registration may be made by the "proprietor" under the following conditions, and in such cases the form of claim (to be given in space (1) of the renewal application and certificate after the words "claiming as") MUST be substantially in the form shown below:

1. If the work is posthumous or composite and if the copyright has been secured originally by the proprietor thereof, the present proprietor may renew as:

   (*a*) "Proprietor of the posthumous work."

   (*b*) "Proprietor of the composite work."

2. If the work has been copyrighted by a corporate body otherwise than as assignee or licensee of the individual author, the proprietor may renew as:

   "Proprietor of a work copyrighted by a corporate body otherwise than as assignee or licensee of the author."

3. If the work has been copyrighted by the employer for whom such work was made for hire, the proprietor may renew as:

   "Proprietor of copyright in a work made for hire."

4. If the work is a print or label used for articles of merchandise, the present proprietor may renew as "the proprietor". (Use application Form RR.)

Exhibit 6 to Answer and Counterclaim of Defendant Mills Music, Inc.

ACKNOWLEDGMENT OF THE RECEIPT OF A NOTICE OF USE OF MUSIC ON MECHANICAL INSTRUMENTS

RECORDED IN VOLUME 35 PAGE 426 OF NOTICE OF USE RECORDS

FORM U

There has been filed in the Copyright Office a notice of use (as required by Section 1 (e) of Title 17, U.S. Code) covering each musical composition listed herein. The notice was recorded in the volume and page noted in the upper right corner, following its receipt on the date given in the lower right corner.

[illegible]
Register of Copyrights,
Washington 25, D.C.

1. Name and address of copyright owner filing this notice in the Copyright Office.

   MILLS MUSIC, INC.

   1619 BROADWAY, NEW YORK 19, NEW YORK

2. Title, composers, authors, and copyright registration number (if known) of each musical composition included in this notice, which the copyright owner named above has used, or licensed the use of, for the manufacture of parts of instruments serving to reproduce mechanically the musical work.

   (a) WHO'S SORRY NOW

   words by Harry Ruby & Bert Kalmar
   music by Ted Snyder

(b) DINAH

words by Sam M. Lew & Joe Young
music by Harry Akst

(c) ONE MORNING IN MAY

words by Mitchell Parish
music by Hoagy Carmichael

(d) HOME (When Shadows Fall)

words and music by Peter Van Steeden, Harry Clarkson & Jeff Clarkson

SEND RECEIPT, REFUND (IF ANY), AND OTHER COMMUNICATIONS TO:

Name MILLS MUSIC, INC.

Address 1619 BROADWAY
NEW YORK 19, NEW YORK

DATE OF RECEIPT OF NOTICE IN COPYRIGHT OFFICE
MAY 16 1958

Exhibit 7 to Answer and Counterclaim of Defendant Mills Music, Inc.

(1) Name of Each Grantee or each Grantee's Successor whose rights are being terminated and the address of each Grantee or Grantee's Successor:

BELWIN-MILLS PUBLISHING CORP.
16 W. 61st Street
New York, New York 10023

(2) Title of Composition; Name of at least one Author or Composer; Original Copyright Date; Original Registration Number (if known); and Effective Date of Termination:

Title of Composition	*Name of One Author of Composer*	*Original Copyright Date*	*Registration Number (if known)*	*Effective Date of Termination*
• • • • • •				
Who's Sorry Now	Ted Snyder	Mar. 7, 1923	E-560717	Jan. 3, 1980
• • • • • •				

(3) A brief statement reasonably identifying the Grant to which the Notice of Termination applies:

Grant or transfer of copyright and the rights of copyright proprietor, including publication and recording rights.

(4) Name, Address and the relationship of persons effecting Termination:

Marie Snyder—widow
4320 Ensenada
Woodland Hills,
Calif. 91364

Ted Snyder Jr.—child
1962 Smokewood Court
Thousand Oaks,
Calif. 91360

Signature of all entitled to terminate the Grant:

American Guild of Authors and Composers
40 West 57 Street, New York, N.Y. 10019
as agent

By /s/ [illegible]

Acting on behalf of the following:

Marie Snyder—widow 50%
print name and relationship to deceased

Ted Snyder Jr.—child 50%
print name and relationship to deceased

_____ %
print name and relationship to deceased

A copy of this Notice was mailed to Grantee(s) listed in Paragraph # 1 by Certified Mail, Return Receipt Requested, on January 3, 1978.

Please return copies of all Notices to the:
American Guild of Authors and Composers
40 West 57th Street, New York, New York 10019

Answer of Snyder Defendants

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

Defendants Marie Snyder and Ted Snyder, Jr. (hereinafter "the Snyder defendants") submit the following Answer to the factual allegations of the Complaint. With respect to the statements of law in the Complaint, no responsive pleading is required and none is made.

1. Admit the factual allegations stated in paragraphs 1, 5, 6, 7, 8, 10, 14(A), 15, and 16 of the Complaint.

2. Admit the allegations stated in paragraph 2 of the Complaint, except deny knowledge or information sufficient to form a belief as to the truth of the statement that Fox has 4,000 music publisher-principals.

3. Deny knowledge or information sufficient to form a belief as to the truth of the allegations stated in paragraphs 3, 12, 13, 14(B), 20, 21, 23, 24, 26, and 27 of the Complaint.

4. Deny the allegations stated in paragraph 4 of the Complaint, except admit that Marie Snyder and Ted Snyder, Jr. are the widow and child of Ted Snyder, and that they do business under the name of "Ted Snyder Music Publishing Co."

5. Deny the allegations stated in paragraph 11 of the Complaint, except admit that the Snyder defendants do business under the name "Ted Snyder Music Publishing Co."

6. Paragraphs 9, 17, 18, and 19 of the Complaint contain only statements of law and do not require responsive pleading.

WHEREFORE, the Snyder defendants demand (a) that the Disputed Fund and all Additional Sums (as defined in paragraphs 13 and 23 of the Complaint) deposited by plaintiff with this Court be paid to the Snyder defendants; (b) that plaintiff

be ordered to pay to the Snyder defendants one-third of all royalties which plaintiff may receive with respect to phonorecords of the composition "Who's Sorry Now", made or distributed after January 3, 1980; and (c) that the Snyder defendants be declared to be the owners of the late Ted Snyder's one-third share of all royalties paid upon the making and distributing after January 3, 1980, of phonorecords of the composition "Who's Sorry Now."

CROSS-CLAIM

The Snyder defendants allege as and for a cross-claim against defendant Mills Music, Inc. (hereinafter "Mills"):

7. The musical composition "Who's Sorry Now" (hereinafter "the Song") was written by Ted Snyder, Burt Kalmar, and Harry Ruby as equal one-third co-authors.

8. Defendant Marie Snyder is the widow of Ted Snyder.

9. Defendant Ted Snyder, Jr. is the only surviving child of Ted Snyder and is the conservator of defendant Marie Snyder, pursuant to letter of the Superior Court of California dated June 20, 1980.

10. The Song was initially published in 1923. Copyright in the Song was originally secured on or about March 7, 1923. Ted Snyder and his co-authors granted copyright in the Song to Mills.

11. On or about January 3, 1978, the Snyder defendants mailed to Mills a notice terminating the grant to Mills of Ted Snyder's share in the ownership of copyright in the Song, effective January 3, 1980, pursuant to 17 U.S.C. § 304(c).

12. On information and belief, defendant Mills has received royalties which were paid (a) pursuant to licenses issued by plaintiff The Harry Fox Agency, Inc., (b) with respect to phonorecords which contain performances of the Song and which were made or distributed on or after January 3, 1980, and (c) with respect to Ted Snyder's share of ownership of

copyright in the Song. Such royalties are hereinafter called "the Post-Termination Royalties." The amount of such royalties is not known to the Snyder defendants.

13. The Snyder defendants are entitled to all of the Post-Termination Royalties, but Mills has not paid them all the Post-Termination Royalties and continues to withhold part of the Post-Termination Royalties.

WHEREFORE, the Snyder defendants demand that Mills be required to account for and pay over to the Snyder defendants all of the Post-Termination Royalties, as defined above.

March 6, 1981

LINDEN AND DEUTSCH

By /s/ FREDERICK F. GREENMAN, JR.
Frederick F. Greenman, Jr.
110 East 59th Street
New York, New York 10022
(212) 758-1100
Attorneys for Defendants
Marie Snyder and Ted Snyder, Jr.

Reply to Counterclaim of Defendant Mills Music, Inc.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

Plaintiff, The Harry Fox Agency, Inc. ("Fox"), by its attorneys, Silverman & Shulman, P.C., replies to the counterclaim of defendant Mills Music, Inc. ("Mills") set forth in Mills' answer to the complaint herein, as follows:

1. Admits the allegations contained in Paragraphs 16 through 29.

2. Denies knowledge and information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 30, except admits that prior to the effective date of termination it issued numerous voluntary statutory licenses to Users on behalf of Mills, with respect to the issuance and reissuance of phonorecords embodying performances of the Song fixed prior to the effective date of termination, in addition to those pre-termination licenses specifically referred to in the complaint herein.

3. Denies knowledge and information sufficient to form a belief as to the truth of the allegations contained in Paragraphs 31 through 33.

4. The allegations contained in Paragraphs 34 through 38 are conclusions of law which require the determination of this Court as sought by Fox in its complaint herein and accordingly, Fox is unable to respond thereto.

5. Denies the allegations contained in Paragraph 39, except admits:

(a) As of the date of the filing of the complaint herein, Fox had deposited the sum of $1,343.41 into the registry of this Court as the Disputed Fund.

(b) The Disputed Fund represented one-third (1/3) of Fox's receipts from Users pursuant to the pre-termination licenses and the post-termination license alleged in the complaint and was attributable to the Snyder claimed interest in the Song.

(c) That since the filing of the complaint herein, Fox has received royalties from Users pursuant to the pre-termination licenses alleged in the complaint, one-third (1/3) of which (corresponding to the Snyder claimed interest) is $419.92.

(d) That since the filing of the complaint herein, Fox has received royalties from Users pursuant to other voluntary statutory licenses with respect to phonorecords fixed prior to, the effective date of termination (i.e. "pre-termination licenses" and a "post-termination license" not alleged in the complaint), as follows:

(1) the sum of $1.34 being one-third (1/3) of the sums received from Q.R.S. Music Rolls with respect to its music roll (phonorecord) number 174. Fox does not have a copy of the voluntary statutory license relating thereto, but upon information and belief, such voluntary statutory license (a "pre-termination license") was issued by Fox on behalf of Mills approximately twenty (20) years prior to the date hereof.

(2) the sum of $1.74, being one-third (1/3) of the sums received from Total Sound, Inc. with respect to its phonorecord No. 6031. Fox does not have a copy of the voluntary statutory license relating thereto, but upon information and belief, such voluntary statutory license (a "pre-termination license") was issued by Fox approximately fifteen (15) years prior to the date hereof.

(3) the sum of $.60, being one-third (1/3) of the sums received from Ranwood Records, Inc. with respect to its phonorecord No. 7014. A copy of the voluntary statutory license with respect thereto is attached hereto and made a part of this reply as Exhibit "A" and is a "post-termination license" in respect of a phonorecord first fixed prior

to the effective date of termination and issued by Fox prior to its receipt of a notice of termination of the Grant.

(4) prior to the filing of this reply, Fox has deposited the sum of $423.60 [the aggregate of the sums referred to in sub-paragraphs (1), (2) and (3) of this Paragraph 5] into the Registry of this Court as part of the Disputed Fund pursuant to the stipulation of the parties hereto dated February 12, 1981.

6. Admits the allegations contained in Paragraph 40.

WHEREFORE, Fox demands judgment dismissing Mills' counterclaim herein and reiterates its prayers for the relief sought in its complaint and for such other and further relief as to the Court may seem just and proper.

DATED: New York, New York
March 20, 1981

SILVERMAN & SHULMAN, P.C.

By _____
Attorneys for Plaintiff
136 East 57th Street
New York, New York 10022
(212) 758-2020

Answer of Defendant Mills Music, Inc. to Snyder Cross-claim

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

Defendant MILLS MUSIC, INC. ("Mills"), by its attorneys, Parcher & Herbert, P.C., for its answer to the cross-claim asserted by the Snyder defendants, alleges:

1. Denies knowledge or information sufficient to form a belief as to the allegations set forth in paragraphs 8 and 9 of the Cross-Claim.

2. Denies the allegations set forth in paragraph 11 of the Cross-Claim, except admits that, on or about January 3, 1978, Mills received a Notice of Termination pursuant to Section 304(c) of the 1976 Copyright Act, purportedly issued by Marie Snyder and Ted Snyder, Jr., in their alleged capacities as widow and child of the deceased composer, Ted Snyder, respectively, and which purported to terminate, effective January 3, 1980, the grant to Mills of Ted Snyder's one-third (1/3) share in the ownership of copyright in the song entitled "Who's Sorry Now".

3. Denies the allegations set forth in paragraph 12 of the Cross-Claim, except admits that, with the exception of a small amount of fourth quarter 1980 income, which has yet to be determined, income has been received and disbursed by Mills subsequent to January 3, 1980, as follows:

A. On licenses issued prior to January 3, 1980, income has been generated in the total amount of $6,733.02, of which the Harry Fox Agency, Inc. ("Fox") has withheld and continues to withhold $641.32 and Mills has received $6,091.64. Of the $6,091.64 amount which Mills received, and notwithstanding Fox' withholding of monies, Mills disbursed fifty (50%) percent thereof to the writers in

equal one-third (1/3) shares, resulting in a payment to the Snyder defendants in the amount of $1,015.21;

B. On licenses issued subsequent to January 3, 1980 pertaining to sound recordings embodying performances fixed prior to January 3, 1980, no income has been generated or reported;

C. On licenses issued subsequent to January 3, 1980, pertaining to sound recordings embodying performances fixed subsequent to January 3, 1980, income has been generated in the total amount of $5,562.01, of which Fox has withheld and continues to withhold $1,366.06, and Mills has received $4,195.95. Of the $4,195.95 amount which Mills received, and notwithstanding Fox' withholding of monies, Mills disbursed fifty (50%) percent thereof to the writers in equal one-third (1/3) shares, resulting in a payment to the Snyder defendants in the amount of $699.32.

4. Denies the allegations set forth in paragraph 13 of the Cross-Claim.

WHEREFORE, defendant Mills Music, Inc. demands that the Snyder Cross-Claim be dismissed and that Mills Music, Inc. be awarded its costs in connection therewith and such other and further relief as this Court deems just and proper.

Dated: New York, New York
April 6, 1981

PARCHER & HERBERT, P.C.
Attorneys for Defendant
Mills Music, Inc.
10 East 40th Street
New York, New York 10016
(212) 689-5606

By: /s/ PETER A. HERBERT
A Member of the Firm

Interrogatories of Snyder Defendants To Defendant Mills Music, Inc.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

Defendants Marie Snyder and Ted Snyder, Jr. request that defendant Mills Music, Inc. (hereinafter "Mills") answer the following interrogatories:

1. Does Mills claim that any sound recording of the composition "Who's Sorry Now" (hereinafter "the Song") utilizes an arrangement of the Song (a) prepared by or under permission of Mills, or (b) in which Mills claims any copyright or other interest?

2. If so, supply the following information as to each sound recording as to which Mills makes the claim stated in interrogatory (1) above:

(a) the name of each manufacturer of phonorecords of such sound recording;

(b) the label names and record numbers under which phonorecords of such sound recording have been made and distributed;

(c) the recording artists who performed the Song or the arrangement thereof in such sound recording;

(d) the year in which such sound recording was fixed;

(e) the total amount of royalties in the Disputed Fund or Additional Sums (as defined in paragraphs 13 and 23 of the Complaint herein) which were paid for the making and distributing of such phonorecords of such sound recording;

(f) with respect to each arrangement of the Song utilized in such sound recording:

(i) identification or a copy of each written or printed version of such arrangement;

(ii) the date when each such arrangement was created;

(iii) any copyright registration of such arrangement;

(iv) the names of all the individuals who created such arrangement, and their relationship with Mills; and

(v) the total amount paid by Mills or its predecessors or affiliates to each of the individuals named in response to the preceding subparagraph, specifically for the creation of such arrangement.

3. If Mills claims that efforts of itself, its predecessors or affiliates, by way of promotion or otherwise, in any way caused any sound recording of the Song to be made, describe, for each such effort and each sound recording that Mills claims it, its predecessors or affiliates, in any way caused to be made:

(a) the name of each manufacturer of phonorecords of such sound recording;

(b) the label names and record numbers under which phonorecords of such sound recording have been made and distributed;

(c) the recording artists who performed the Song or the arrangement thereof in such sound recording;

(d) the year in which such sound recording was fixed;

(e) the total amount of royalties in the Disputed Fund or Additional Sums (as defined in paragraphs 13 and 23 of the Complaint herein) which were paid for the making and distributing of such phonorecords of such sound recording;

(f) the nature of such effort; if any part of such effort was written, supply copies of all such writings; if any part of such effort was oral, describe when and where such oral communication took place, name all the persons who spoke on behalf of Mills, the persons to whom they spoke, and any others who were present at the communication, and state the substance of the communication;

(g) the way in which such effort caused the sound recording to be made; and

(h) any evidence or reasons which lead Mills to believe that such effort caused such sound recording to be made.

4. Describe any other promotional efforts which Mills has made on behalf of the Song, with dates of each such effort, and the amounts expended on each such effort.

5. State the total mechanical royalties (i.e., royalties for making and distributing phonorecords) on the Song, which have been received by Mills, its predecessors and affiliates, from 1923 through 1980, divided into foreign and domestic royalties. If the total royalties for all of such period cannot be determined, state the periods for which the amounts of such royalties cannot be determined, and state the total of such royalties for the remainder of the period 1923 through 1980.

March 10, 1981

LINDEN AND DEUTSCH

By /s/ FREDERICK F. GREENMAN, JR.
Frederick F. Greenman, Jr.
110 East 59th Street
New York, New York 10022
(212) 758-1100
Attorneys for Defendants Marie Snyder and Ted Snyder, Jr.

Answers of Defendant Mills Music, Inc. to Interrogatories

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

Defendant, MILLS MUSIC, INC. ("Mills"), by its attorneys, Parcher & Herbert, P.C., for its answers to interrogatories propounded by defendants Marie Snyder and Ted Snyder, Jr. d/b/a Ted Snyder Music Publishing Co. ("the Snyder defendants"), state:

1. As to Interrogatory No. 1, Mills does not claim that any sound recording which is the subject of a voluntary statutory license in issue embodies an arrangement of the musical composition entitled "Who's Sorry Now" ("the Song") either prepared by Mills or with respect to which Mills claims ownership or other interest in the copyright;

2. As to Interrogatory No. 2, this interrogatory is inapplicable. See paragraph 1 hereof.

Dated: New York, New York
April 6, 1981

MILLS MUSIC, INC.
1776 Broadway
New York, New York
(212) 245-1100

By: /s/ [illegible]

Defendant Mills Music, Inc.'s Notice of Motion and Supporting Affidavit for Summary Judgment

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

SIRS:

PLEASE TAKE NOTICE that, upon the annexed affidavit of PETER A. HERBERT, ESQ., sworn to May 15, 1981, and upon all of the pleadings and proceedings herein, the undersigned will move this Court, at a term thereof, to be held at the United States Courthouse, 40 Centre Street, Foley Square, New York, New York 10007, on the 2nd day of June, 1981, at 2:15 p.m., of that day, or as soon thereafter as counsel may be heard, for an order, pursuant to FRCP § 56, granting defendant Mills Music, Inc., summary judgment on its counterclaim.

Dated: New York, New York
May 15, 1981

PARCHER & HERBERT, P.C.
Attorneys for Defendant
Mills Music, Inc.
10 East 40th Street
New York, New York 10016
(212) 689-5606

By: /s/ PETER A. HERBERT
A Member of the Firm

TO: SILVERMAN & SHULMAN, P.C.
Attorneys for Plaintiff
The Harry Fox Agency, Inc.
136 East 57th Street
New York, New York 10022
(212) 758-2020

LINDEN & DEUTSCH
Attorneys for Defendants Marie Snyder and
Ted Snyder, Jr., d/b/a Ted Snyder Music
Publishing Co.
110 East 59th Street
New York, New York 10022
(212) 758-1100

Affidavit in Support of Motion for Summary Judgment By Defendant Mills Music, Inc.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

STATE OF NEW YORK
COUNTY OF NEW YORK, ss.:

PETER A. HERBERT, being duly sworn, deposes and says:

1. I am a member of the law firm Parcher & Herbert, P.C., attorneys for defendant MILLS MUSIC, INC. ("Mills"), and submit this affidavit in support of the instant motion for summary judgment brought by Mills, pursuant to FRCP 56, on the grounds that there exists no genuine issue of material fact to be tried, and that Mills is entitled to judgment on its counterclaim as a matter of law.

2. A copy of the relevant pleadings (excluding exhibits), consisting of the Complaint, the Answer and Counterclaim filed by Mills, the Answer and Cross-Claim filed by Marie Snyder and Ted Snyder, Jr. d/b/a Ted Snyder Music Publishing Co. (the "Snyder Defendants"), the Answer to Cross-Claim filed by Mills and the Reply to Counterclaim filed by The Harry Fox Agency, Inc. ("Fox") are collectively annexed hereto as Exhibit A.

3. This is an interpleader action commenced pursuant to 28 U.S.C. § 1335 for the purpose of resolving a dispute between adverse claimants, that is, Mills, on the one hand, and the Snyder Defendants, on the other hand, concerning the manner in which a certain fund, presently deposited in the Registry of this court (the "Interpleader Fund") should be distributed as among the defendants.

4. Jurisdiction over the subject matter of this action is founded upon 28 U.S.C. § 1335(a) in that this is an inter-

pleader action among parties of diverse citizenship concerning a fund in excess of Five Hundred ($500) Dollars. Jurisdiction is also predicated upon 28 U.S.C. § 1338(a) in that this controversy arises under the United States Copyright Act of 1976, 17 U.S.C. *et seq.*, effective January 1, 1978 (the "1976 Act"). The outcome of this action depends solely upon the manner in which this Court applies the express provisions of Section 304(c)(6)(A) of the 1976 Act to the relevant undisputed facts of this case, as herein set forth.

THE RELEVANT FACTS

5. Mills is a Delaware corporation engaged in the business of publishing and otherwise commercially exploiting copyrighted musical compositions.

6. The musical composition entitled "WHO'S SORRY NOW" (the "Song"), was written and composed, jointly, by Bert Kalmar, Harry Ruby, and Ted Snyder, deceased (the "Authors"), as equal one-third (1/3) co-authors.

7. The original copyright in the Song was first registered and secured on March 7, 1923 in the name of Waterson, Berlin & Snyder Co. ("Waterson"), a publishing company owned, in part, by Ted Snyder, one of the Authors. A copy of the original copyright registration is annexed hereto as Exhibit B.

8. The Snyder Defendants are, respectively, the widow and child of composer, Ted Snyder.

9. Mills' acquisition from Waterson of the copyright in the Song was effectuated by Assignment of Copyright dated February 9, 1932 (the "Assignment"), a copy of which is annexed hereto as Exhibit "C".

10. On February 11, 1932, Mills duly recorded the Assignment in the Copyright Office. A copy of the official Copyright Registration, attesting to the recordation of the Assignment is annexed hereto as Exhibit D.

11. Pursuant to the Assignment, Mills became the copyright proprietor and exclusive publisher of the Song for the original twenty-eight (28) year term of copyright.

12. By letters dated May 21, 1940 and June 20, 1940 with respect to Ted Snyder, and renewal agreements and accompanying assignments dated June 30, 1944 and December 22, 1944 with respect to Burt Kalmar and Harry Ruby, respectively, (hereinafter collectively referred to as the "Renewal Agreements"), copies of which are annexed hereto as Exhibit E, the Authors assigned to Mills all their right, title and interest in the renewal copyright of the Song, including the exclusive right to issue licenses and generally act as publisher with respect to the Song throughout the twenty-eight (28) year renewal term of copyright. Inasmuch as it is only the grant of renewal rights to Mills by Ted Snyder which is the subject of this action, it is that grant, as embodied in the letters dated May 21, 1940 and June 20, 1940, executed, respectively, by Ted Snyder, and Ted Snyder and his wife, defendant Marie Snyder, and which the Snyder Defendants have terminated (see ¶ 23, *infra*), which shall hereinafter be referred to as the "Grant".

13. In accordance with the specific terms and provisions of the Renewal Agreements, including the terms of the Grant, and in consideration of the transfer by the Authors to Mills of all right, title and interest in the renewal copyright, and Mills' agreement to continue to act as exclusive publisher of the Song during the twenty-eight (28) year renewal term, it was agreed that, in addtion to an initial monetary payment by Mills to each of the Authors, Mills and Authors would share equally, on a fifty-fifty (50/50) basis, throughout the renewal term, all income derived from the licensed use of the Song on sound recordings or other forms of mechanical reproduction.

14. On March 1, 1951, claim to the renewal copyright with respect to the Song was duly registered by Mills in the Copyright Office. A copy of the Certificate of Registration is annexed hereto as Exhibit F.

15. On May 16, 1958, Mills, in accordance with the requirements set forth in Section 1(e) of the United States Copyright Act of 1909 (the "1909 Act") duly filed with the Copyright Office a Notice of Use of Music on Mechanical Instruments ("Notice of Use") with respect to the Song. A copy of the Notice of Use is annexed hereto as Exhibit G.

16. Once a notice of use is filed by a publisher, indicating the publisher's knowing acquiescence in the use of a musical composition on a sound recording, Section 1(e) of the 1909 Act grants to all other persons the right to secure a nonexclusive license for similar use of that composition by payment to the copyright owner of a statutory royalty. The licenses issued by publishers or their licensing agents for such use of musical compositions, commonly referred to as "voluntary statutory licenses", enable the publishers to vary the statutory requirements for ease of administration and to encourage exploitation of sound recordings of musical compositions.

17. Plaintiff, Fox, is a New York corporation which acts as licensing and collecting agent for many music publisher-principals, with respect to the use by record companies and other manufacturers ("Users") of sound recordings of the copyrighted musical compositions owned or controlled by its music publisher-principals. For many years, Fox has acted, and continues to act, on behalf of Mills for the purpose of issuing voluntary statutory licenses to and collecting revenue from Users with respect to the Song.

18. During the years encompassing the renewal term of copyright with respect to the Song, Mills, pursuant to the authority vested in Mills under the terms of the Renewal Agreements, including the terms of the Grant, either directly or by Fox, as its licensing agent, issued approximately four hundred nineteen (419) voluntary statutory licenses to Users for the purpose of permitting, in each instance, use of the Song in connection with the issuance or reissuance of a sound recording by means of sales to the general public of copies thereof, *i.e.*, phonorecords.

19. Musical compositions, such as the Song, which endure beyond the life of the original twenty-eight (28) year term of copyright, are generally considered "classics" which, by their nature, continue to possess popular appeal, resulting in an ongoing demand for new versions, notwithstanding the passage of time. The number of voluntary statutory licenses issued per annum during the renewal term for use of the Song in conjunction with sound recordings was as follows:

1951 -	4	1966 -	14
1952 -	9	1967 -	19
1953 -	7	1968 -	12
1954 -	3	1969 -	18
1955 -	5	1970 -	15
1956 -	12	1971 -	8
1957 -	11	1972 -	5
1958 -	48	1973 -	17
1959 -	31	1974 -	16
1960 -	16	1975 -	16
1961 -	25	1976 -	9
1962 -	22	1977 -	13
1963 -	13	1978 -	9
1964 -	14	1979 -	6
1965 -	12	1980 -	9
	Total:		419

A copy of Mills' voluntary statutory licenses and voluntary statutory license file cards which confirm this per annum distribution are submitted herewith collectively as Exhibit "H".

20. The "pre-termination" licenses and the "post-termination" license which are annexed to the complaint filed herein as Exhibits "C" and "D", respectively, are among the four hundred nineteen (419) voluntary statutory licenses referred to in paragraph 19 above, but have been singled out as the subject of this action by reason that these represent the only licenses which relate to the Interpleader Fund.

21. As more specifically discussed in Mills' accompanying memorandum of law, with respect to musical compositions, the renewal term of which is subsisting at any time between December 31, 1976 and December 31, 1977 (which includes the Song, the renewal term of which was not due to expire until March 7, 1979), Section 304(b) of the 1976 Act effectively extends the existing renewal term of such compositions for an additional period of nineteen (19) years (the "nineteen (19) year extended term"), by extending the entire period of copyright protection from fifty-six (56) years to seventy-five (75) years from the date upon which the copyright was originally secured.

22. Section 304(c) of the 1976 Act further provides that any author or, if deceased, his statutory successors, during the five (5) year period immediately following the fifty-sixth year from the date upon which the copyright was originally secured (or what was, under the 1909 Act, the expiration of the renewal term), is entitled to recapture his share in the ownership of the renewal copyright by terminating the renewal grant, in accordance with prescribed statutory procedure.

23. On or about January 3, 1978, the Snyder Defendants, as statutory successors, pursuant to Section 304(c)(2) of the 1976 Act, to Ted Snyder's termination rights with respect to Ted Snyder's one-third (1/3) ownership interest in the Song (the "Snyder Interest"), exercised such rights by serving upon Mills a Section 304 Notice of Termination, effective January 3, 1980 (the "termination date"). A copy of the Notice of Termination is annexed hereto as Exhibit I.

24. The effect of this action was to permit the Snyder Defendants to recapture the Snyder Interest, and to eliminate Mills' further publishing rights with respect thereto as of the termination date.

THE PRESENT CONTROVERSY

25. Section 304(c)(6)(A) of the 1976 Act (hereinafter sometimes referred to as the "derivative work exception") specifi-

cally provides that, notwithstanding the general reversion of rights effectuated by termination:

> "A *derivative work* prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination . . ." (emphasis added)

(hereinafter the "First Proviso").

26. The derivative work exception goes on to state, however, that the privilege of "continued utilization", as provided therein:

> ". . . does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant."

(hereinafter the "Second Proviso").

27. The instant controversy concerns Mills' claimed right, pursuant to Sections 203(b)(1)and 304 (c)(6)(A), notwithstanding the act of termination, to continue to license, otherwise utilize and collect royalties, in the same manner and with the same rights, privileges and obligations which it had "under the terms of the [G]rant" with respect to those derivative works embodying the Song, which were originally prepared prior to the termination of the Grant, and pursuant to its authority; specifically:

> A. Sound recordings, *i.e.*, derivative works prepared pursuant to voluntary statutory licenses issued by Mills, or by Fox on behalf of Mills, prior to the termination date, such as those recordings which are the subject of "pre-termination" licenses, copies of which are annexed to the complaint filed herein as Exhibit "C"; and
>
> B. Sound recordings, *i.e.*, derivative works prepared prior to the termination date by a User with the intention of obtaining a voluntary statutory license, but who failed to seek or obtain such a license until after termination had been effected, as in the case of the recording which is the

> subject of the "post-termination" license, a copy of which is annexed to the complaint filed herein as Exhibit "D".

28. Mills' position is founded upon the plain, unambiguous language and meaning of the derivative work exception. Specifically, Mills' argument, in its component parts, is simply this:

> A. All of the sound recordings which are the subject of the "pre-termination" licenses and the "post-termination" license herein are "derivative works", as that term is expressly defined in Section 101 of the 1976 Act, and, as such, the continued utilization thereof, following the termination date, is governed by the express provisions of the derivative work exception;
>
> B. The words "prepared" or "preparation", as utilized in the express language of Section 304(c)(6)(A) of the 1976 Act, in the context of sound recordings, is the equivalent of the words "fixed" or "fixation", as defined in Section 101 of the 1976 Act *i.e.*, the act of causing a work to be embodied in a sufficiently tangible medium to enable the work to be reproduced or communicated for a period of more than transitory duration;
>
> C. The term "the grant", as utilized in the express language of Section 304(c)(6)(A) of the 1976 Act, in the context of this action, refers to the grant of renewal rights to Mills by Ted Snyder, as embodied in the May 21, 1940 and June 20, 1940 letters (hereinafore referred to as the "Grant") which the Snyder Defendants have terminated, to the extent of the Snyder Interest;
>
> D. All of the sound recordings or "derivative works" which are the subject of the "pre-termination" licenses and the "post-termination" license were prepared or "fixed" during the term of the Grant, and prior to its termination;
>
> E. All of the sound recordings or "derivative works" which are the subject of the "pre-termination" licenses and the "post-termination" license were, respectively, li-

censed by Mills under the authority vested in Mills by the Grant, prior to its termination, or prepared [by Users] prior to termination of the Grant, in contemplation of obtaining a voluntary statutory license under authority of the Grant;

F. As a result of the foregoing, all pre-termination sound recordings, including the sound recordings which are the subject of the "pre-termination" licenses and the "post-termination" license herein, all fixed prior to the termination date, fall within the express privilege of the First Proviso and, as such, may continue to be utilized "under the terms of the Grant, after its termination"; and

G. Continuing utilization "under the terms of the Grant" means continued commercial exploitation by all parties in the same manner as provided "under the terms of the [G]rant", prior to its termination; that is, the continuing right of Mills "under the terms of the [G]rant" to act as licensor of such sound recordings; the continuing right of Users to utilize derivative works pursuant to licenses issued by Mills "under the terms of the [G]rant" with respect to such recordings; the continuing obligation of Users to pay appropriate royalties to Mills, as provided by such licenses; and the continuing obligation of Mills "under the terms of the [G]rant" to remit to the Authors, including the Snyder Defendants, fifty (50%) percent of all monies received in equal one-third (1/3) shares.

29. In sum, with respect to the Snyder Interest, Mills claims no rights of any kind or nature with respect to new sound recordings embodying the Song, first prepared or "fixed" subsequent to the termination date. Such new recordings are governed by the Second Proviso, which permits the Snyder Defendants, to the extent of the Snyder Interest, full control thereof, including the exclusive right to issue licenses with respect thereto and to collect a full one-third (1/3) share of all income generated by such licenses. On the other hand, with respect to those sound recordings prepared under the authority

vested in Mills pursuant to the terms of the Grant, and prior to its termination, Mills is entitled to continue to license such derivative works in the future, as in the past, "under the terms of the [G]rant", notwithstanding its termination.

30. This result flows from the clear design which emerges from the derivative works exception to effect a compromise which affords the proprietor of the renewal copyright, such as Mills, the continuing rights to share in the benefits of its past labors with respect to derivative works prepared under its auspices prior to termination, and to afford the statutory successors of the termination interest, such as the Snyder Defendants, complete autonomy with respect to new derivative works created subsequent to the termination date. This compromise is particularly warranted in the context of the music industry where writers, as the co-authors of the Song, have not sold their copyrights outright for unremunerative lump-sum payments but, rather, have shared equally with the publishers over the years in the financial fruits of their respective creative and commercial labors.

31. For the reasons set forth herein, the instant motion for summary judgment should be granted and judgment entered declaring that:

A. With respect to all sound recordings embodying the Song, first prepared or "fixed" pursuant to the authority vested in Mills under the terms of the Grant, prior to its termination, which includes those sound recordings represented by the "pre-termination" licenses and "post-termination" license, copies of which are annexed to the complaint filed herein as Exhibits "C" and "D", respectively, Mills' rights and obligations with respect thereto are the same which it had "under the terms of the [G]rant", prior to its termination; and

B. With respect to all new sound recordings embodying the Song, first prepared or "fixed" subsequent to the termination of the Grant, the Snyder Defendants possess the exclusive right to issue licenses with respect thereto, to

the extent of the Snyder Interest, and to collect one-third (1/3) of one hundred (100%) percent of all revenues generated by such licenses; and

C. With respect to the Interpleader Fund, being that it consists solely of monies generated by licenses pertaining to sound recordings prepared under the authority vested in Mills under the terms of the Grant, prior to its termination, such monies should be distributed in its entirety to Mills, subject to Mills' obligation to remit fifty (50%) percent thereof to the Authors in equal one-third (1/3) shares.

/s/ PETER A. HERBERT
Peter A. Herbert

Sworn to before me this
15th day of May, 1981.

/s/ ALAN A. TARZY
Notary Public

ALAN A. TARZY
Notary Public, State of New York
No. 31-4687786
Qualified in New York County
Commission Expires March 30, 1983

[Exhibits A through G omitted in printing]

Excerpt From Herbert Affidavit Exhibit H

CAPITOL RECORDS, INC.
1750 Vine Street
Hollywood 28, California

Date: 30 August 1965
Rates: 4rw/LP & EP

Gentlemen:

Musical work: WHO'S SORRY NOW?

I am the Agent and Trustee for MILLS MUSIC, INC. (hereinafter designated as the "Publisher") who owns the copyright or controls the mechanical recording rights of the above copyrighted musical work.

Music By Ted Snyder
Words By Bert Kalmar-Harry Ruby
Master No. (S)WBO-2-2295
Artist Judy Garland & Liza Minnelli

You have advised me in my capacity as Agent and Trustee for said Publisher that you wish to use said copyrighted work under the compulsory license provision of Section 1(e) of the Copyright Act upon the parts of instruments serving to reproduce mechanically the copyrighted work.

Upon your doing so, you shall have all the rights which are granted to, and all the obligations which are imposed upon, users of said copyrighted work under the compulsory license provision of the Copyright Act, after use or permission or knowing acquiescence by the said Publisher in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the copyrighted work (viz: phonograph records) by another person, except that with respect to records thereof manufactured by you:

1. You shall pay royalties and account to me as Agent and Trustee for and on behalf of said Publisher quarterly on the basis of records manufactured and sold; and

2. For such records manufactured to retail at 35¢ or less, the royalty shall be 1¼¢ per side; for such records manufactured to retail at more that 35¢ but not more than 50¢, the royalty shall be 1½¢ per side; for such records manufactured to retail at more than 50¢ but not more than 60¢, the royalty shall be 1¾¢ per side; and for such records manufactured to retail at more than 60¢, the royalty shall be the statutory rate; and

3. This license covers and is limited to one particular recording of the musical composition set forth above as performed by the artist on the record number set forth above; and this license does not supersede nor in any way affect any prior licenses now in effect respecting recordings of said musical composition; and

4. You need not serve or file the notices required by the Copyright Act.

5. This license shall be considered effective as of 1 July 1965

It is further agreed that the copyright royalty rate for extended play records containing more than one selection on a side and retailing for not more than $1.42 shall be 1½¢ per selection, per side; for long playing 33 ⅓ rpm records containing more than one selection on a side and retailing (a) for not more than $2.85 the royalty rate shall be 1½¢ per selection and (b) for more than $2.85 but not more than $3.00 the royalty shall be 1¾¢ per selection, per side.

Very truly yours,

MILLS MUSIC, INC.

By /s/ Harry Fox
Harry Fox Agent and Trustee

We acknowledge receipt of a copy hereof:

CAPITOL RECORDS, INC.

By /s/ Gerald D. Hobbs
Gerald D. Hobbs

Stipulation and Order

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

It is stipulated:

1. On any motion for summary judgment or any appeal therefrom, no defendant will make contentions as to:

a) the extent of the efforts of Mills Music, Inc. ("Mills") to obtain sound recordings of "Who's Sorry Now?" ("the Song") or otherwise to promote the Song, or the success of any such efforts; or

b) the extent of efforts of publishers in general to obtain sound recordings of musical compositions or otherwise to promote them, or the success of any such efforts.

2. In reliance on paragraph 1 above, defendants Marie Snyder and Ted Snyder, Jr. ("the Snyder defendants") withdraw their pending motion to compel discovery from Mills, without costs to either party.

3. If the Court shall require or shall consider relevant any evidence or information as to any of the matters listed in paragraph 1 above, no party shall be bound by said paragraph, and the Snyder defendants may renew their discovery motion.

PARCHER & HERBERT, P.C.

By /s/ PETER A. HERBERT
Attorneys for Defendant Mills
Music, Inc.

Stipulation and Order

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[Caption omitted in printing]

IT IS HEREBY STIPULATED AND AGREED, by and between the undersigned, attorneys for the respective parties hereto, that:

1. The parties hereto consent to the withdrawal of the memorandum of law *amicus curiae* ("*amicus* memorandum") in support of the motion for summary judgment submitted by National Music Publishers Association ("NMPA") and dated May 26, 1981, and to the withdrawal of the affidavit in support of the motion for leave to file the *amicus* memorandum.

2. The parties hereto consent to the substitution by NMPA of an amended memorandum of law *amicus curiae* ("amended *amicus* memorandum") dated June 11, 1981 in place of the *amicus* memorandum of May 26, 1981.

3. The parties hereto do not oppose NMPA's application for leave to file the amended *amicus* memorandum and consent to the submission of NMPA's amended *amicus* memorandum for the Court's consideration in connection with the motion for summary judgment.

4. The consent of defendants Marie Snyder and Ted Snyder, Jr. to the submission of NMPA's amended memorandum of law *amicus curiae* shall in no way be construed as support for or endorsement of the material contained therein.

Dated: New York, New York
June 22, 1981

LINDEN & DEUTSCH
By /s/ FREDERICK F. GREENMAN, JR.
Frederick F. Greenman, Jr.
Attorneys for Defendants Marie Snyder and Ted Snyder, Jr. d/b/a Ted Snyder Music Publishing Co.

Dated: New York, New York
June 17, 1981

SO ORDERED:

EDWARD WEINFELD
U.S.D.J.

Dated: June , 1981

SILVERMAN & SHULMAN, P.C.

By /s/[Illegible]
Attorneys for Plaintiff
The Harry Fox Agency

PARCHER & HERBERT, P.C.

By /s/ PETER A. HERBERT
Attorneys for Defendant
Mills Music, Inc.

LINDEN AND DEUTSCH

By /s/ FREDERICK F. GREENMAN, JR.
Frederick F. Greenman, Jr.
Attorneys for Defendants
Marie Snyder and Ted Snyder,
Jr., d/b/a Ted Snyder Music
Publishing Co.

PAUL, WEISS, RIFKIND, WHARTON
& GARRISON

By /s/ DANIEL VICTOR
Attorneys for National Music
Publishers Association

SO ORDERED:

/s/ EDWARD WEINFELD
Edward Weinfeld
U.S.D.J.

Memo Endorsed

The motion by the Snyder defendants pursuant to Rule 37 of the Federal Rules of Civil Procedure to compel defendant Mills Music to respond to discovery requests is withdrawn by consent of the parties.

So ordered.

Dated: New York, New York
June 22, 1981

/s/ EDWARD WEINFELD
Edward Weinfeld
United States District Judge

Revised, Jointly Proposed Judgment

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

80 Civ. 6993

[Filed December 7, 1982]

THE HARRY FOX AGENCY, INC.,

Plaintiff.

—against—

MILLS MUSIC, INC., MARIE SNYDER and TED SNYDER, JR., d/b/a/ TED SNYDER MUSIC PUBLISHING CO.,

Defendant.

REVISED, JOINTLY PROPOSED JUDGMENT

Plaintiff, The Harry Fox Agency, Inc. ("Fox") having commenced this action based on interpleader, and for a declaratory judgment, and having deposited with the Registry of this Court the sum of $2,911.84 (the "Disputed Fund") of which $1,072.57 represents income received by Fox pursuant to certain voluntary statutory licenses issued by Fox on behalf of Mills Music, Inc. ("Mills") under the authority vested in Mills pursuant to the terms of a certain copyright renewal assignment and agreement dated June 20, 1940 between Ted Snyder ("Snyder") and Mills (the "Grant") and prior to January 3, 1978, the effective date upon which Ted Snyder terminated the Grant ("Date of Termination") (such licenses to be hereinafter referred to as "Pre-Termination Licenses"), and of which $1,839.27 represents income received by Fox pursuant to certain voluntary statutory licenses issued by Fox on behalf of Mills subsequent to the Date of Termination (such licenses to be hereinafter referred to as "Post-Termination Licenses")*, and

Mills and defendants Marie Snyder and Ted Snyder, Jr. d/b/a Ted Snyder Music Publishing Co. ("Snyders") having asserted adverse claims to the Disputed Fund and with respect to:

A. Their respective rights to income received by Fox subsequent to the Date of Termination from the manufacture and sale of phonorecords of sound recordings embodying performances of the musical composition "WHO'S SORRY NOW" (the "Song"), certain of which recordings were the subject of Pre-Termination Licenses, and others of which were the subject of Post-Termination Licenses; and

B. Their respective rights to license, subsequent to the Date of Termination, the manufacture and sale of phonorecords of sound recordings embodying performances of the Song which were either:

(i) fixed prior to the Date of Termination and the subject of licenses issued by or on behalf of Mills prior to the Date of Termination, including but not limited to the Pre-termination License; or

(ii) fixed prior to the Date of Termination and the subject of licenses issued by or on behalf of Mills after the

---

* For purposes of clarity, as used herein:

(a) "Pre-Termination Licenses"—shall mean those certain voluntary statutory licenses issued by or on behalf of Mills prior to the Date of Termination with respect to the making and distribution of phonorecords from sound recordings embodying performances of the Song whose performances were first fixed prior to the Date of Termination;

(b) "Post-Termination Licenses"—shall mean those certain voluntary statutory licenses issued by or on behalf of Mills subsequent to the Date of Termination with respect to the making and distribution of phonorecords from sound recordings embodying performances of the Song whose performances were first fixed either before or after the Date of Termination.

Date of Termination, including but not limited to the Post-Termination Licenses,

all with respect to a one-third ownership interest in the Song from and after the Date of Termination (the "Snyder Interest"); and

Cross-motions having been made by Mills and the Snyders each seeking summary judgment in their favor with respect to the Disputed Fund and the aforesaid rights;

Now, on considering all pleadings and affidavits of the parties, having heard oral argument of counsel to the parties, due deliberation having been had and finding no issue of material fact herein, and upon the filing of the Opinion of this Court dated July 15, 1982, IT IS HEREBY

ORDERED AND ADJUDGED that the respective motion and cross-motion for summary judgment of Mills and Snyders are each granted and denied in part as follows:

1. Mills is entitled to receive the sum of $1,072.57, subject to Mills' obligation pursuant to the Grant to account to the Snyders for a one-half share thereof, and the Clerk of this Court is directed to pay the aforesaid sum to Mills out of the Disputed Fund upon the entry hereof; provided that if this judgment is finally reversed, Mills shall pay over to the Snyders such portion of said amount as is required by such reversal;

2. Snyders are entitled to receive the sum of $1,839.27 and the Clerk of this Court is directed to pay the aforesaid sum to Snyders out of the Disputed Fund upon the entry hereof; provided that if this judgment is finally reversed, the Snyders shall pay over to Mills such portion of said amount as is required by such reversal;

3. With respect to the Snyder Interest in the Song and subject to the provisions of the Grant with respect to its royalty obligation to Snyders, Mills had and has the continuing right, exclusive of Snyders:

(a) to receive income pursuant to the Pre-Termination Licenses, and

(b) to issue, and receive income pursuant to, licenses for the manufacture and sale of phonorecords of those sound recordings of the Song which were first fixed and the subject of licenses issued by or on behalf of Mills prior to the Date of Termination.

4. Snyders, from and after the Date of Termination, by reason of their ownership of the Snyder Interest in the Song, subject to their obligations under appropriate copyright law to account to the co-owners of the copyright rights in the Song, shall:

(a) have the non-exclusive right to issue licenses for the manufacture and sale of phonorecords of sound recordings of the Song fixed and to be fixed subsequent to the Date of Termination or fixed prior to the Date of Termination but not theretofore licensed by or on behalf of Mills, and

(b) receive the entire Snyder one-third share of royalty income from the manufacture and sale of phonorecords of those sound recordings which were first fixed or licensed after the Date of Termination.

5. To the extent that Mills or Fox has received income generated by the Post-Termination Licenses, and to the extent they have not heretofore accounted or paid to Snyders with respect thereto, they are hereby ordered to account and pay to Snyders one-third thereof, i.e., corresponding to the Snyder Interest.

IT IS FURTHER ADJUDGED that Fox is without liability to Mills or Snyders with respect to the Disputed Fund, the Pre-Termination Licenses and Post-Termination Licenses and that Fox shall have the right pursuant to its authority granted by Mills and Snyders to issue licenses and disburse receipts on behalf of and to Mills and Snyders respectively in accordance with the provisions of this Judgment, and

IT IS FURTHER ORDERED AND ADJUDGED that this Judgment shall be entered without costs, disbursements or attorneys' fees to any party to this action.

/s/ EDWARD WEINFELD
Edward Weinfeld
United States District Judge

Dated: New York, New York
December 6, 1982

JUDGMENT ENTERED 12/7/82
/s/ RAYMOND F. BURGHARDT
Clerk

Received Check No. 104,180 Dated 12-14-82
in The Amount of $1,072.57
Payable To MILLS MUSIC, INC.

Received Check No. 104,181 Dated 12-14-82
in The Amount of $1,839.27
Payable To TED SNYDER

PETITIONER'S

BRIEF

Office Supreme Court, U.S.
FILED
JUN 11 1984
ALEXANDER L. STEVAS,
CLERK

No. 83-1153

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

MILLS MUSIC, INC.,

Petitioner,

—v.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR THE PETITIONER

MARVIN E. FRANKEL
(Counsel of Record)
MICHAEL S. OBERMAN
STEVEN E. GREENBAUM

KRAMER, LEVIN, NESSEN, KAMIN
& FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100

Attorneys for Petitioner
Mills Music, Inc.

BEST AVAILABLE COPY

QUESTION PRESENTED

The important question presented concerns the meaning and application of the derivative works exception (the "Exception") to the termination-of-transfers provision of the Copyright Act of 1976, 17 U.S.C. § 304(c) (1977). The heirs of the composer of a song, acting pursuant to § 304(c), terminated a standard form of grant to a music publishing company of all rights in the copyright of the song for the extended 19-year term. The grantee-publisher, under the terms of the grant before its termination, had licensed various record companies to make sound recordings of the song, a type of "derivative work." As the grant from the composer to the publisher provided, royalties from the record companies were to be shared equally by the publisher and the composer (or, later, his heirs). The question is:

> Whether a grantee-music publisher, having licensed the making of sound recordings "under authority of the grant before its termination," is entitled to continue to receive the agreed share of royalties arising from utilization of these pre-termination derivative works "under the terms of the grant after its termination," within the meaning of these words in the Exception.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

No. 83-1153

MILLS MUSIC, INC.,[1]

Petitioner,

—v.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR THE PETITIONER

OPINIONS BELOW

The opinion of the Court of Appeals (Pet. App. 1a-24a) is reported at 720 F.2d 733. The opinion of the District Court (Pet. App. 25a-72a) is reported at 543 F. Supp. 844.

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1 The petitioner is a wholly-owned subsidiary of Belwin-Mills Publishing Corp.

JURISDICTION

The judgment of the Court of Appeals was entered on October 18, 1983 (JA 3). The petition for a writ of certiorari was filed on January 13, 1984, and was granted on March 26, 1984. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTE INVOLVED

17 U.S.C. § 304, as codified by Section 101 of the Copyright Act of 1976, is reproduced *infra* at A1-A6.

STATEMENT OF THE CASE

1. The statutory setting

The undisputed facts and the rulings below are best understood against a brief initial outline of their setting in the 1976 Act.

As part of the major revision of the copyright law enacted in 1976, Congress fundamentally redefined the duration of copyrights. It abolished the prior system of two successive terms of 28 years and in its place provided that new copyrights after the Act's January 1, 1978, effective date would generally extend for the life of an author plus 50 years. 17 U.S.C. § 302(a). Copyrights already in existence and in their renewal term on the Act's effective date were extended by adding 19 years to the 28-year renewal term. 17 U.S.C. § 304(b).

The new Act further provides that where an author grants one or more of his statutory rights to another—or, in the case of extended term copyrights, had previously made such a grant—the author (or his heirs), under specified procedures and subject to specific limitations, may terminate the grant. Grants of rights to others made after the Act's effective date may be terminated by the author or his representative after 35 years, 17 U.S.C. § 203(a)(3), while pre-1978 grants may be

terminated after the end of the 28-year renewal term. 17 U.S.C. § 304(c). For all present purposes, §§ 203 and 304 are identical, though only the latter affects this case.

This newly established right of termination is subject to the Exception at issue here. 17 U.S.C. §§ 203(b)(1), 304(c)(6)(A). A "derivative work"—defined to include a "sound recording," motion picture or other creation based at least in part upon a pre-existing copyrighted work and made pursuant to a grant from the owner of that copyright, 17 U.S.C. § 101—may "continue to be utilized under the terms of the grant after its termination." 17 U.S.C. § 304(c)(6)(A).

2. The license from Snyder to Mills and the provision for shared mechanical royalties

Ted Snyder, the late husband of respondent Marie Snyder and father of respondent Ted Snyder, Jr., was co-author of the popular song "Who's Sorry Now" (JA 57). The copyright was originally registered in 1923 (*id*; JA 32). In 1940, Snyder assigned all of his rights in the renewal term of the copyright, which would commence in 1950, to Mills, which had by then acquired all rights in the initial term (JA 40-44, 32-33). That assignment, the only relevant grant ever made by Snyder to Mills, provided that Snyder should have from Mills "fifty (50%) per cent of all net royalties actually received by [Mills] for the mechanical reproduction of ["Who's Sorry Now"] on . . . phonograph records" (JA 42).[2]

Under the authority of that grant, and in accordance with its terms, Mills over the years licensed various record companies

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2 The co-authors of "Who's Sorry Now," Bert Kalmar and Harry Ruby, had also assigned their interests in the renewal term to Mills, but they (or their heirs) had not terminated their grants to Mills prior to commencement of this action. The existence of co-authors who had not given notice of termination does not affect the issues before this Court. *See* 17 U.S.C. § 304(c)(1), (6). In our discussion of the respective rights of Mills and the Snyders, we treat Ted Snyder as the sole author.

to create "sound recordings" of the song and to make and distribute copies of these sound recordings in the form of "phonorecords."[3] Each licensee agreed to pay a stated royalty for each phonorecord it made and sold. As provided in the grant from Snyder to Mills, the latter paid Snyder 50% of the net royalties received from the licensees (JA 35). The provision for equal shares of royalties between Snyder and Mills followed the virtually uniform practice of songwriters and music publishers (Pet. App. 27a). Mills paid Snyder a small cash advance, but its share of the royalties was mainly in consideration for the publisher's continued promotional efforts upon which songwriters relied in agreeing to the industry's standard 50-50 division (*id.* at 47a-59a).

During the period 1951 through 1980, the renewal term of the song's copyright, Mills issued 41[illegible] licenses to record companies for the purpose in each instance of using "Who's Sorry Now" in a single release or re-release of a sound recording (JA 33-34). For the period July 1971 through June 1980, Mills' licensees paid $142,633.53 in royalties, shared equally by the publisher and the co-authors (JA 34-35).

3. Termination of the grant by the Snyders

Following his death, Ted Snyder's one-third interest in the copyright, and then the new right of termination, descended to his wife and son, the respondents. Pursuant to § 304(c) of the Act, the Snyders exercised the right to terminate the grant to Mills. Their notice of termination to Mills related to the

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3 "As defined in section 101, copyrightable 'sound recordings' are original works of authorship comprising an aggregate of musical, spoken, or other sounds that have been fixed in tangible form. The copyrightable work comprises the aggregation of sounds and not the tangible medium of fixation. Thus, 'sound recordings' as copyrightable subject matter are distinguished from 'phonorecords,' the latter being physical objects in which sounds are fixed." S. Rep. No. 473, at 53; H. R. Rep. No. 1476, at 55-56, 1976 U.S. Code Cong. & Ad. News at 5669. Sound recordings are "derivative works" under the Copyright Act of 1976. 17 U.S.C. § 101.

foregoing grant from the late Ted Snyder to Mills, this being the only grant subject to the termination provision (and the Exception therefrom). The notice adhered to all the technical formalities of the Act (JA 35, 54, 57).

Accurately addressing Mills as "Grantee," the notice of termination included "[a] brief statement reasonably identifying the Grant to which the Notice . . . applies" (JA 54). Under that description, the notice said (*id.*): "Grant or transfer of copyright and the rights of copyright proprietor, including publication and recording rights." The notice was signed for those "entitled to terminate the Grant" (JA 55). These concluding portions corresponded to the initial portion of the notice, which listed Mills (by its parent) as the sole "Grantee . . . whose rights [were] being terminated" (JA 54). The grant thus terminated was the grant from Snyder to Mills of various copyrights, including that in "Who's Sorry Now" (*id.*). No other person or firm was named as possessor of the grant; no notice was sent to any record company licensed by Mills to make sound recordings.

4. The Snyders claim all royalties; Mills claims a continued right to share

Under the Exception, a "derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination." 17 U.S.C. § 304(c)(6)(A). It is not disputed that the recording licenses here in question were properly given by Mills under the authority of the 1940 grant from Snyder to Mills before its termination (JA 40-44). It is also undisputed that the 1940 grant from Snyder to Mills provided for Mills to pay Snyder 50%, and retain the other 50%, "of all net royalties" received from record companies under the recording licenses which Mills, as assignee, had the right to confer (JA 42).

Relying upon these undisputed propositions, Mills has taken the position that any sound recording it licensed before termination was, within the meaning of the statute, "[a] deriva-

tive work prepared under authority of the grant before its termination [which] may continue to be utilized under the terms of the grant after its termination." Accordingly, Mills has argued, it is entitled with respect to such sound recordings to have them "utilized under the terms of the grant" from Snyder to itself, namely, with net royalties to be shared 50% each. (As to derivative works prepared "after . . . termination," often labeled "new derivative works" in this case, Mills concedes that the Snyders alone may authorize such works and receive all royalties from them.) The District Court sustained this position.

The Snyders have argued—and the Court of Appeals agreed—that the Exception does not apply to publishers, but only benefits the record companies who "utilize" the sound recordings. Explaining the Exception's requirement that such utilization be "under the terms of the grant after its termination"—where the only grant terminated by them was the one from Ted Snyder to Mills—the Snyders have identified the "grant" whose terms control utilization of derivative works as the licenses from Mills to the record companies. Thus, they say the word "grant" in the Exception has two meanings—referring first to the grant from Snyder to Mills, then to the grant from Mills to the record companies. On this basis, they say, they step into the shoes of Mills with respect to the latter's 50% while retaining the 50% to which they concededly have been entitled all along under Ted Snyder's grant to Mills.

From this dispute, with major implications well beyond Mills and the Snyders, this lawsuit arose.[4]

4 Reflecting widespread industry practice, The Harry Fox Agency, Inc., the interpleader-plaintiff in the District Court, handled for Mills the mechanics of issuing recording licenses and collecting royalties (Pet. App. 29a; *see generally* Blaisdell, Study No. 6, *at* 93-94). Confronted with the controversy between the Snyders and Mills, it interpleaded them, paid a disputed sum into court, and sought the declaration of rights given below (JA 4-16).

5. The decision of the District Court

The District Court concluded that the Snyders' position "requires a tortured reading" (Pet. App. 42a) of the Exception and could not be accepted.[5] To construe the Exception, that Court said, "the starting point is, of course, the statutory language" (*id.* at 39a). Addressing that language, the Court said with respect to the "old" (*i.e.*, pre-termination) derivative works in question, "it would follow under the clear language of the Exception, such sound recordings 'may continue to be utilized under the terms of the grant after its termination' and, under the express terms of the Snyder Grant, Mills is entitled to continue to share equally with the Snyders all royalties from phonorecords made from those sound recordings" (*id.* at 40a).

Addressing the Snyders' emphasis on the word "utilized," and their conclusion that only the record companies, and not the publishers, are "utilizers" embraced by the Exception (*id.* at 41a), Judge Weinfeld found that the statutory "language clearly does not connote the inclusion of the record companies to the exclusion of the publishers" (*id.*). "Even if the Snyders' interpretation of the word 'utilize' were correct," the District Court held, "it does not mean that the Exception is limited to derivative work owners or makers"; rather, "all parties to a [terminated] grant may continue to enjoy the benefits from the utilization of the derivative works" (*id.*). Rejecting the Sny-

5 Judge Weinfeld first disposed of a major argument the Snyders advanced before him, which was largely abandoned and not reached in the Court of Appeals (Pet. App. 23a)—that the licenses Mills had given (JA 22-27) were only "compulsory licenses" under the 1909 Act; that, therefore, the sound recordings had not been made "under authority of the grant"; and, accordingly, that the Exception does not apply at all. The record companies, Judge Weinfeld noted, had never complied with all of the requirements for a compulsory license, but instead had sought and obtained licenses from Mills, which modified in a number of respects the conditions required for a statutory license (Pet. App. 35a). These modifications, the District Court observed, were given, and could only have been given, by Mills under authority of the grant from Snyder to Mills (*id.* at 36a).

ders' further contention that " 'under the terms of the grant' refers only to the relationship between the author . . . and the record companies" (*id.*), the District Court found that "there is no grant directly between the author and the record companies" (*id.* at 42a). The only "terms" of the only "grant" in this case, it held, are those *from* Snyder to Mills, so that continuation "under the terms of the grant" could refer only to that relationship and its provisions (*id.*).

Having found that the only acceptable reading of the statutory language favored Mills, the District Court proceeded nevertheless to consider the legislative and pre-legislative history of the Act, upon which the Snyders placed heavy reliance. The Court concluded, following "careful review of thousands of pages of Congressional committee prints, hearings, and reports, and floor debates," that "the legislative history of the derivative works exception is ambiguous and does not support [the Snyders'] claim" (*id.* at 42a-43a).

Judge Weinfeld acknowledged that the copyright law revision was intended, through the termination provision as elsewhere, to enlarge the rights and benefits of authors (*id.* at 46a-47a). At the same time, he noted, the participants in the legislative process had been attentive to the contributions of publishers in disseminating works of art, to the correlative necessity of encouraging "music publishers [to] play an integral part in the dissemination of musical works" (*id.* at 57a), to what is in effect "a partnership" for such purposes between authors and publishers (*id.*), and to the recognition of this collaborative need among the composers (*id.* at 57a-58a n.88; *see also id.* at 46a-59a *passim*). The termination provision, the District Court found, read along with the Exception, was not given as a "sole" and "exclusive" advantage to authors, but reflected a purpose to "accommodate" the respective interests and "to share" the fruits of joint efforts at least with respect to old derivative works (*id.* at 47a, 49a, 50a, 52a, 53a).[6]

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6 In two further dispositions, the District Court held that (1) Mills is authorized after termination to license new releases of sound recordings prepared under pre-termination licenses, and (2) Mills is not entitled after termination to license sound recordings prepared (but not licensed) before termination. Mills, on appeal, did not contest the latter disposition. While the Snyders did appeal the first, the parties agreed below that the District Court's holding on the reliscense issue was "commanded by the analysis employed by the Court on the royalty issue." Brief of Appellants Marie Snyder and Ted Snyder, Jr. at 55, *The Harry Fox Agency, Inc. v. Mills Music, Inc., et al.*, Docket No. 83-7089, United States Court of Appeals for the Second Circuit ("Snyders' App. Br."). The Court of Appeals did not have occasion to address this corollary holding.

6. The decision of the Court of Appeals

In a unanimous opinion by Judge Oakes, the Court of Appeals reversed the "characteristically thorough opinion" of the District Court (Pet. App. 3a), while observing that the question presented is one "of considerable importance" (*id.* at 2a) on which "reasonable minds may well differ" (*id.* at 4a). Reversal was required, the Court ruled, because of its disagreement "with the basic premise of the opinion below, namely that Congress was addressing multiple-grant situations like that present in the instant case when it enacted the 'derivative works' exception in the 1976 Act" (*id.*). While it noted that the three-party arrangement among composer (Snyder), publisher (Mills) and licensed record companies reflects "a standard practice in the music publishing industry" (*id.* at 5a), one "typically found in the music business" (*id.* at 19a), the Court concluded that "Congress did not specifically address" this standard arrangement in the termination provision and its Exception (*id.* at 15a).

Having found the terms of the Exception inapposite, while holding effective the termination to which the Exception relates, the Court of Appeals proceeded "to determine what result Congress would have intended" had it faced the arrangement "typical" of the music business (*id.* at 19a) and common in other fields of derivative works as well. The Court rested its holding upon "three propositions": "first, that Mills is in reality relying on two separate grants; second, that Mills is not a utilizer of a derivative work; and third, that the statute does

not expressly address the situation here" (*id.* at 12a). It concluded "[o]n balance" that "Congress would have intended to protect the owner of the derivative work, *i.e.*, the recording company, and the author of the underlying work, but not the original assignee who did not create the derivative work" (*id.* at 19a-20a). It found this conclusion as to what Congress would have intended "supported to some extent" by its own prior decision, "though criticized in other respects," in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977) (*id.* at 20a), and by illustrative remarks during the legislative process which referred to motion pictures, where the film producer often invests heavily and makes creative contributions to the derivative work (*id.* at 21a).

SUMMARY OF ARGUMENT

This is a case in which the plain meaning of a carefully drawn statute, faithfully followed by the District Court, has been explicitly rewritten by the Court of Appeals on the premise that Congress overlooked the "standard" and "typical" business arrangements for which the statute was enacted. The Copyright Act of 1976 reflects 10 years or so of work by the members of Congress and their staffs, and 20 years by the Copyright Office. The conclusion that the parties' briefs and an hour of oral argument gave to the Court of Appeals an understanding of typical business arrangements not discovered by the Congress would be remarkable at best. It is also unsound.

1. In the absence of some extraordinary history, not present in this case, plain statutory language should be followed. The District Court, though it attended studiously to the legislative history, followed this basic precept. The Court of Appeals did not.

In the single sentence of the Exception directly involved, and throughout the termination provision from which the Exception is carved, the word "grant" refers clearly, expressly and unambiguously to the "terminated grant." The Exception says that old derivative works "may continue to be utilized under the terms of the grant after its termination." For purposes of these works, the terms of the "grant" are extended and continue to control. On termination, however, the author regains all authority to make or license new derivative works, because the "privilege" given by the Exception "does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant."

In the statute's square application to this case, the "grant" referred to throughout is the grant from Ted Snyder to Mills. The Snyders recognized this when they exercised the power to terminate that "grant," never attempting or purporting to terminate the 419 licenses to record companies that Mills had given "under the terms of [that] grant." By the identical token, the "terms" of that single "grant" continue to govern how the sound recordings (the derivative works in question) are to be "utilized"—namely, on the payment of royalties shared equally by Mills and the grantor's heirs. As the Snyders and the record company licensees demonstrated in action, the statute is intelligible and sensible as a business matter when its plain mandate is observed. Everyone followed it and the royalty-payment arrangements of the grant without difficulty until the Snyders made their demand for all royalties (that is, both the publisher's and author's shares) from the old derivative works licensed by Mills.

To avoid the inescapable result of the language Congress passed, the Snyders argued that the word "grant" has two meanings in the termination provision, § 304(c), the terminated grant "from author to publisher" and also the grant "from publisher to the record company." This thesis is linguistically and legally untenable. The Court of Appeals did not adopt it in so many words. But the result the Court reached effectively embraced this "two grant" theory.

Ultimately, to make the statute work in respondents' favor, the Court of Appeals candidly ignored what Congress wrote. Finding that the "terms" of the "terminated grant" could not reach "the three-party transaction represented here" and seeking instead the message Congress "would have" conveyed had it understood the legislative facts with which it was dealing, the Court rewrote the statute. As a basic premise for this redraft, the Court discerned a special Congressional concern for authors, which is not questioned, and a pervasive disdain for "publishers and other non-creative middlemen," which is baseless.

II. The legislative history, far from countermanding or altering the plain statutory language, supplies no ground for "[g]oing behind the plain meaning . . . in search of a possibly contrary congressional intent." *American Tobacco Co. v. Patterson*, 456 U.S. 63, 75 (1982). Here again, the thorough and balanced analysis of the District Court led to sound conclusions. Fully considered, the history shows the mistakes of the Court of Appeals in supposing Congress was ignorant of the "typical" business arrangements and in treating publishers as mere "middlemen."

Congress was made aware of the valuable role of publishers in promoting and distributing musical works. Indeed, the materials before Congress reached the very "Fox license," with its multi-party framework, involved in this case. Congress understood the shared royalty arrangements between composers and publishers and received evidence explaining and justifying the shares. In the termination provision and the Exception, giving all rights in *new* derivative works to authors while preserving pre-existing arrangements for *old* derivative works, Congress carried out its express purpose to undertake a fair balancing and accommodation of the several interests.

In the end, the legislative history leads back to the mandate of the statutory language, correctly followed and applied by the District Court.

ARGUMENT

I. THE PLAIN LANGUAGE OF THE EXCEPTION, READ AS A WHOLE AND IN CONTEXT, CONTINUES THE "TERMS" OF THE TERMINATED "GRANT" FROM SNYDER TO MILLS

The District Court began, properly, with the plain words of the single statutory sentence that gives rise to the controversy. While Judge Weinfeld did not stop there, but considered every other item that might have aided in the task of interpretation, he determined in the end that the clear message of the statutory text supplies the ground of decision (Pet. App. 66a).

The Court of Appeals, on the other hand, never gave close or receptive attention to the statutory language, resolving quickly that Congress had not thought of a "standard" situation about which it was legislating (Pet. App. 15a-16a). Both aspects of that course were mistaken. As we show below (Point II), the legislative history reveals that Congress did not act in ignorance of multi-party contractual arrangements. While it is not decisive either way, that history comports with the District Court's interpretation of the Exception. Here, we show that the plain language of the Exception as enacted by Congress leads comfortably and necessarily to the position sustained by the District Court.

A. The termination provision operates on a single grant: the grant from Snyder to Mills

The direct focus of this case is the application of a single sentence, the Exception set out in § 304(c)(6)(A). In approaching the task of construction, the Exception must be read as an intelligible whole, and in its setting, rather than as a series of isolated words or parts of speech.

Not only within the single sentence of the Exception, but in the context of the termination provision from which the Exception is carved, it is patent that the word "grant" has one

unmistakable meaning—namely, the "grant" that has been "terminated." As applied in this case, it means, and can only mean, the "terminated grant" from Ted Snyder to Mills. The textual analysis, not undertaken by the Court of Appeals, is simple and direct. We begin at the beginning of the termination provision, § 304(c), proceeding to the Exception, italicizing the words that make obvious the uniform reference to a single "grant" that is being terminated and the continued effectiveness of the "terms" of that "terminated grant" for old derivative works:

> (c) **Termination of Transfers and Licenses Covering Extended Renewal Term.**—In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, . . . the exclusive or nonexclusive *grant* of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by [the author or his designated heirs] . . . is subject to termination under the following conditions:
>
> (1) . . . In the case of a *grant* executed by one or more of the authors of the work, *termination of the grant* may be effected, . . . if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.
>
> (2) Where an author is dead, his or her termination interest is owned, and may be exercised, by his widow or her widower and his or her children . . . .
>
> • • •
>
> (4) The termination shall be effected by serving an advance notice in writing upon the *grantee* or the *grantee's successor* in title . . . . In the case of a *grant* executed by one or more of the authors of the work, the notice as to any one author's share shall be

> signed . . . . if that author is dead, by [the widow, widower, children or authorized agents].
>
> • • •
>
> (6) . . . In the case of a *grant* executed by one or more of the authors of the work, *all of a particular author's rights . . . that were covered by the terminated grant* revert . . . to that author or [his or her heirs] . . . . *In all cases the reversion of rights is subject to the following limitations:*
>
> (A) A derivative work prepared *under authority of the grant before its termination* may continue to be utilized *under the terms of the grant after its termination*, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by *the terminated grant*.

Taking these several provisions as a coherent whole, and with a purpose to make sense of them, there is no question that the District Court followed their precise meaning: upon notice of termination by an author (or by an author's heirs) to the grantee, all rights "that were covered by the terminated grant revert," except that derivative works "prepared under authority of the grant before its termination" may, following termination, "continue to be utilized under the terms of the grant."

The undisputed facts on which both parties moved for summary judgment confirm that the termination provision and the Exception apply easily in this case without cause to rewrite the statute:

- The single grant that the Snyders terminated and could terminate was an exclusive grant of renewal rights given by Ted Snyder to Mills before January 1, 1978 (JA 35, 54-55, 57).

- That single grant by its "terms" authorized Mills to license record companies to make sound recordings and required Mills to pay to Snyder one-half of the royalties received from the record companies (JA 41-43).

- Proceeding "under authority of the grant before its termination," Mills licensed record companies to make the sound recordings in question and paid over to Snyder (or his heirs) one-half of the royalties received from the record companies (Pet. App. 33a-34a).

- The Snyders' notice of termination of "the grant" was addressed only to Mills; it could not and did not, and did not purport to, alter the "terms" on which the licensed record companies "utilized" the sound recordings "prepared under authority of the grant [from Snyder to Mills] before its termination" (JA 54-55).

By virtue of the notice of termination they gave, the Snyders ended Mills' authority to make or license *new* derivative works during the extended 19-year term, because the "privilege" given by the Exception "does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant." That is not and has not been questioned by Mills; it is the clear intendment of what Congress wrote. The direction concerning *old* derivative works—"prepared under authority of the grant before its termination"—is every bit as clear. Old derivative works may be used consistently with pre-existing arrangements; the terms of the "grant," for purposes of these works, are extended and continue to control. Thus, royalties derived from sound recordings already prepared before termination remain subject to equal division—"under the terms of the grant after its termination."

The statute works smoothly and understandably as Congress wrote it. And, as the District Court demonstrated, when the statutory language is followed, the proper relationship among the composer, music publisher and record company in the statutory structure becomes clear. Under the express terms of

§ 304(c)(6), the author's right of termination is, "[i]n all cases," subject to the Exception. As a result, the reversion is not complete; the author is not restored to his or her position preceding the grant. The Exception preserves in the terminated grantee the use of a portion of the copyright in the author's underlying work, despite termination, which permits continued utilization of an old derivative work without a new grant. As the District Court concluded (Pet. App. 40a-41a):

> [B]ecause derivative works are substantially copied from an underlying work, utilization of a derivative work involves the copyright in the underlying work. [Footnote omitted.] By allowing for the continued utilization of old derivative works, the Exception necessarily limits the reversion of those rights in the underlying work that are incident to this utilization of old derivative works.

The unqualified right provided by the Exception to continue to use a derivative work after termination "under the terms of the grant" necessarily means that the underlying work may continue to be used without further consent from the author. The author cannot cut off the right to utilize any derivative work prepared prior to termination; the Exception prevents that. Nor can the author derive income by relicensing the right to use the underlying work (such as a song) in an already existing derivative work (such as a sound recording). While the Snyders seek to overcome this intended effect, the author's rights with respect to old derivative works—including the division of royalties derived from them—continue to be defined by "the terms of the [terminated] grant."

The Exception must be read with what it is an exception *from*; it directly affects the grant that is being terminated; it is an exception to the termination right. Inescapably, therefore, the Exception in this case relates to "the terminated grant" from Snyder to Mills, and limits the effect of the Snyders' termination of that grant. The record companies may of course continue to "utilize" their derivative works "prepared under

authority of the grant"—through Mills and the rights the Exception preserves in Mills "under the terms of the grant."

Absent this preservation of Mills' right to use the underlying copyright for old derivative works, utilization of the sound recordings by the record companies would infringe the copyright in the underlying song. Professor Nimmer, in endorsing Judge Weinfeld's analysis, explained:

> The statutory text makes it clear that "the grant" referred to therein is the grant from A to B (i.e., from the author to his original grantee), not the grant from B to C [i.e., from the original grantee to the record companies]. Furthermore, the reversion of "all of a particular author's rights" provided for in the termination provisions is expressly made "subject to the . . . limitations" contained in the derivative works exception. Thus the privilege of continued utilization is not simply arbitrarily conferred. Rather, it is recognized by reason of a "limitation" upon what would otherwise be a reversion of "all" rights. This can only mean that the grant from the author to the first grantee of those rights which absent reversion would permit such continued utilization are not to be the subject of reversion. Thus, the grant from A to B remains in effect insofar as it governs the terms under which previously prepared derivative works may continue to be utilized. If there were to be a reversion of "all" rights conferred by A upon B, this would mean that C would be bereft of a chain-of-title necessary to such continued utilization.[7]

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7 3 M. Nimmer, *Nimmer on Copyright* § 11.02[B], at 11-18.2 - 11-18.3 (1983) (footnotes omitted). As disclosed in the cited portion of his treatise, Professor Nimmer submitted a brief below on behalf of the National Music Publishers Association, as *amicus curiae*, urging affirmance of the District Court. *Id.* at 11-18.1 n.78.

B. The Court of Appeals erroneously found the termination provision applicable to two separate grants

In an effort to overcome the plain directions given by the statute, respondents (as appellants below) found it necessary to give two meanings to the word "grant" as it appears throughout § 304(c)—despite the inexorable singleness of its meaning there. They stated as a vital premise of their case (Snyders' App. Br. at 18):

> It is the original "grant" from author to publisher that has been terminated, but it is the second "grant" from publisher to the record company whose terms govern the continued utilization permitted to the record company.

The Court of Appeals, while ruling for respondents, did not quite bring itself to repeat that blunt statement of what its ruling entailed. The Court found, however, that both parties had to "struggle to show that the proviso, and especially the word 'grant,' has a plain meaning in the three-party transaction represented here" (Pet. App. 16a n.12). To resolve the difficulty thus found, the Court concluded that the statute "clearly . . . does not" have any plain meaning, "for the proviso speaks in terms of one grant, while here we are dealing with two distinct grants" (*id.*). In this first of three "propositions" it deemed decisive, the Court stated that "Mills is in reality relying on two separate grants" (*id.* at 12a). It observed that only the grants from Mills to the record companies tell the latter what they must pay Mills as royalties—*i.e.*, the "terms" of their use (*id.* at 13a). Thus, although the grant from Ted Snyder to Mills was the only terminated grant, the Court held that "it is the terms of [the] grants [from Mills to the record companies] that the Exception preserves" (*id.*).

This proposition was an inaccurate portrayal of Mills' position and, more critically, an unsound approach to the words of the Exception. Sustaining respondents' theory that the single word "grant" has two meanings in the statute stands as a stark challenge to the elementary principle of law and linguistics that

the same word in a statute (most certainly when it is repeated over and over again in one section with a grammatical identity of meaning throughout) should be assigned a single meaning. *See Erlenbaugh v. United States*, 409 U.S. 239, 243 (1972); *Atlantic Cleaners & Dyers, Inc. v. United States*, 286 U.S. 427, 433 (1932). In its attempted defiance of that principle, respondents' position, as the District Court observed (Pet. App. 42a), inflicts "torture" upon the text Congress enacted. The District Court demonstrated that there is no ground in language, legislative history, or supposed judgments of policy for that wide departure from sound statutory construction.

Mills has contended throughout that the termination provision and its Exception operate on only one grant, the grant from Snyder to Mills. Under the terms of that grant, both before and after termination, Mills is obligated to share with the Snyders 50% of the mechanical royalties received from record companies. In turn, record companies may continue to "utilize" the sound recordings—without infringing the Snyders' ownership of the underlying copyright—under the terms of the grant from Snyder to Mills, which is shielded from termination. Mills does not rely or need to rely on its licenses to the record companies, which were neither directly affected by the notice of termination nor directly protected from termination by the Exception.

To say the "terminated grant" in the Exception has reference to any of the 419 licenses given by Mills to record companies (none of which the Snyders could or did pretend to "terminate") renders meaningless the language Congress enacted. None of those licenses was "executed . . . by" Snyder or his heirs; none is in any sense a "terminated grant"; none can be jammed into any part of § 304(c), whether one looks at the termination language or the Exception.

The Snyders had no trouble in exercising their termination right under § 304(c), knowing that only a single grant was covered by the statute, when they terminated the one and only grant to which their termination power (and the Exception)

could apply. The statute told them what grant they could terminate; it said that all rights "covered by the terminated grant" would revert to them *except* that derivative works prepared under the grant before its termination could "continue to be utilized *under the terms of the grant after its termination*." That last quoted clause, the key language of the Exception, could not refer to anything but "the terminated grant," as the entirety of the text makes pellucid. Since the Court of Appeals, without tarrying over the detailed words of the statute, found "that the statute does not expressly address the situation here of a grant of rights to use the derivative work by the grantee of the author to a third party" (Pet. App. 12a), it is worthwhile to stress that the Snyders, when giving notice of termination, and Judge Weinfeld in later evaluating the effect of that notice, had the same understanding of how the termination provision and the Exception (both referring to the same "grant") should work.

C. The Court of Appeals mistakenly focused on undisputed questions as to the "utilizer" of derivative works instead of defining how derivative works may be "utilized" under the Exception

Proceeding from the word "utilized" in the Exception, the Court of Appeals stated as its second "proposition" that "Mills Music is not a utilizer of a derivative work" (Pet. App. 13a). Mills does not claim to "utilize" the sound recordings. The error of the Court of Appeals was its conclusion that the Exception could benefit only the "utilizer of a derivative work" (*id.* at 14a). The words of the Exception do not support that restrictive reading.

This case turns on the "terms" of use, not on the identity of users. The word "utilizer" is not found in the Exception, only "utilized," and then the "terms" of utilization. The words Congress enacted state what may be used (derivative works) and define the conditions of use—"under the terms of the [terminated] grant." As the District Court noted, they do not

limit the class of beneficiaries of continued utilization (Pet. App. 41a). Their plain effect is to preserve the existing contractual relationship between the heirs of the grantor (Ted Snyder) and his grantee (Mills) respecting the division of royalties from the utilization of derivative works prepared under authority of the terminated grant. As the District Court concluded (*id.*):

> The Exception expressly makes continued utilization of old derivative works subject to the "terms of the grant." Accordingly, all parties to a grant may continue to enjoy the benefits from the utilization of the derivative works where the terms of the grant so provide.[8]

The owner of a copyright in a derivative work (whether the creator or a sublicensee) will have the intended protection, and unvaried royalty obligations, no matter who prevails here. The question is simply as to the rights to the royalties unquestionably due from the derivative work owner. As between the author and his grantee, this question must in every case be answered "under the terms of the grant."

D. The Court of Appeals rewrote the statute

The Court of Appeals recognized that its resolution of the dispute could not be accommodated in a logical and consistent reading of the words Congress adopted. Utilization of the old derivative works "under the terms of the grant" from Ted Snyder to Mills does not result in payment by the record companies to the Snyders of 100% of the mechanical royal-

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8 The commentators agree that the term "utilized" and the phrase "preparation of other derivative works" define the scope of post-termination use, not the identity of the post-termination user. *See, e.g.*, Cohen, *"Derivative Works" Under the Termination Provisions in the 1976 Copyright Act*, 28 Bull. Copyright Soc'y 380, 406-07 (Apr. 1981); Ellingson, *The Copyright Exception for Derivative Works and the Scope of Utilization*, 56 Ind. L.J. 1, 30 (1980-81). Professor Nimmer also analyzes the term "utilized" in light of the prohibition against "preparation of other derivative works." 3 M. Nimmer, *Nimmer on Copyright* § 11.02[B], at 11-15, 11-16 (1983).

ties.[9] The Court also acknowledged (Pet. App. 17a n.13) how the statute has to be rewritten to achieve its result "expressly."

To highlight the extent of this judicial revision, we italicize the words that the Court of Appeals agreed would be added "had Congress intended to support the view of the Snyders" (*id.*), and cross out those that would be deleted, in this "interpretation":

> *An owner of the copyright in* a derivative work prepared under authority of the grant before its termination may continue to ~~be utilized~~ *use the derivative work despite termination* under the terms of the grant ~~after its termination~~, *provided, however, that all royalties or other fees being paid by the owner of the derivative work for use of the underlying work shall, after termination, be paid only to the owner of the underlying copyright and none shall be paid to any intermediate grantee.*

The italicized and crossed-out words reveal the drastic revision of the statute inherent in the Court's decision. Rather than applying the conditions of use contemplated by the Exception, that is, the conditions provided "under the terms of the grant," the Court of Appeals simply substituted a different set of conditions by a wholesale rewriting of the statute.

There is no reason to wreak havoc of this kind with the statute Congress wrote. The enacted language is straight-

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9 The District Court observed (Pet. App. 42a):

> In order for all royalties from the record companies to revert to the Snyders despite the express "terms of the grant," the court would be required to rewrite the grant so as to disregard all the references to Mills and instead substitute in their place the author or his statutory successors. Rather than following "the terms of the grant," this would nullify the grant from Ted Snyder to Mills. Thus, the Snyders' interpretation of the derivative works exception to exclude music publishers, such as Mills, requires a tortured reading of its language. By contrast, while the Exception does not specifically address the situation herein where the author's grantee licenses others to make derivative works, its language is entirely consistent with including Mills, as Snyder's grantee.

forward and meaningful.[10] In ignoring it, the Court of Appeals neglected the caution against "[g]oing behind the plain meaning of a statute in search of a possibly contrary congressional intent." *American Tobacco Co. v. Patterson*, 456 U.S. 63, 75 (1982); *see also Escondido Mutual Water Co.* v. *LaJolla Band of Mission Indians*, 52 U.S.L.W. 4588, 4590 (U.S. May 15, 1984) ("it should be generally assumed that Congress expresses its purposes through the ordinary meaning of the words it uses"). In simple English and logic, the grant to which the Exception applies is the one "terminated grant" considered throughout § 304(c).

II. THE LEGISLATIVE HISTORY, ALBEIT INCONCLUSIVE, SUPPORTS THE DISTRICT COURT'S ENFORCEMENT OF THE STATUTE AS WRITTEN RATHER THAN THE REVISION BY THE COURT OF APPEALS

Before concluding that the plain statutory language supplied the sensible and correct basis for judgment, Judge Weinfeld undertook "a careful review of thousands of pages of Congressional committee prints, hearings and reports, and floor debates" (Pet. App. 42a-43a). In an opinion rich in references to these materials, the District Court found that the legislative history of the Exception is "ambiguous" and "does not support" the Snyders' claim (*id.* at 43a). Instead, the legislative history led unerringly back to the "starting point" (*id.* at 39a), the statutory language correctly read and applied by the District Court.

The Court of Appeals, in sharp contrast, made little reference to what was actually said by or to members of Congress over the extensive course of Congressional hearings and debates (*compare* Pet. App. 42a-66a *with* 15a-23a). Pursuing its premise that the "proviso has [no] plain meaning in the three-party transaction represented here" (*id.* at 16a n.12), the Court of Appeals adopted as its "third proposition" that "Congress did not specifically address the situation" presented (*id.* at 15a). In that view, the Court found it necessary to imagine "what result Congress would have intended" had it "faced the more complex situation, typically found in the music business, of a grant to a music publisher followed by subsequent grants to licensees by the publisher to creators of derivative works" (*id.* at 19a). It found that the "Congressional purpose has no reference to sharing by a middleman music publisher such as Mills" (*id.* at 11a).

Not a single word in the legislative history warranted the Court of Appeals' departure from the Exception's plain language; none was cited in its opinion. The history, though it is at best "ambiguous," as Judge Weinfeld said, tends on balance to support the decision of the District Court rather than that of the Court of Appeals. Congress in a decade of hearings, studies and debates received and acted upon extensive data on the entertainment industries. It is erroneous to assume, as the Court below did, that Congress acted in ignorance of multi-party contractual arrangements such as those "typically found in the music business" (*id.* at 19a). Similarly, the history shows that Congress and the Copyright Office recognized, and accommodated, a variety of interests as the Act evolved. There was in short no basis for concluding that the Exception excluded music publishers despite the words covering them.

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[10] Suggesting that the statute *had* to be rewritten one way or another to achieve a result for either side, the Court of Appeals gave an amended version it thought necessary to decide for Mills (Pet. App. 16a-17a n.13). Again, we italicize the additions, there being no deletions:

> "A derivative work prepared under authority *derived from the author's* grant before its termination may continue to be utilized under the terms of the grant *to the derivative work owner* after its termination, *with the terms of the grant from the author to control any sharing of proceeds derived from the derivative owner.* . . ."

With all deference to the Court's legislative drafting effort, the effort fails. The redundancy of the added language defeats its argumentative purpose; under the Exception as enacted, the "terms of the grant" control the conditions of use, without need to highlight some of those "terms" in a revised statute.

A. The most authoritative legislative history affirms and underscores the plain text Congress enacted

If courts are ever entitled to assume that Senators and Representatives—and the President signing a bill into law—did not mean to say what their words enacted, the assumption is particularly unmanageable in this case. Here, the authoritative reports of both Houses reiterated that the single grant being terminated would continue to govern the utilization of old derivative works. Specifically, both reports accompanying the bill as enacted said of the Exception:

> This clause provides that, notwithstanding a termination, a derivative work prepared earlier may "continue to be utilized" under the conditions of *the terminated grant*. [H.R. Rep. No. 1476, at 127, 1976 U.S. Code Cong. & Ad. News at 5743; S. Rep. No. 473, at 111 (emphasis added).][11]

Thus, both Houses made it inescapable that the Exception was intended to mean exactly what it said. The only way to avoid this conclusion is to decide that the message was essentially nonsensical—*i.e.*, that the words could not govern "standard" multi-party arrangements they had to address if Congress knew what it was doing. As we have shown (Point I, *supra*), no such conclusion is either required or warranted when the statutory text is applied to the typical business relationships illustrated by this case and to other similar relationships in the entertainment industries. Now we proceed to show that the Congress, buttressed by the Copyright Office and by the enormous staff resources available on Capitol Hill, knew at least as much as the Second Circuit about the multi-party arrangements affected by the termination provision.

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11 Elsewhere, again, the consistent focus on the grant being terminated was stressed precisely to avoid ambiguities of the kind respondents seek. The language of § 203(a)(3), which *inter alia* governs the timing of termination of a grant of publication rights, was modified in the Congressional drafting process. The phrase "under such grant" was added at the urging of various trade representatives "to make clear that the period during which termination of a grant under a copyright may be effected is intended to begin at the end of 35 years after publication under the grant which is sought to be terminated and not after publication under some other grant." Hearings on H.R. 4347, at 132 (emphasis added).

B. The legislative history reveals informed consideration of multi-party arrangements and of the termination provision

1. *The evolution of the Act*

The Act, adopted in 1976, completed a process of revision commenced two decades before. Much of this process preceded Congressional action—what a Register of Copyrights termed "the extensive prelegislative history of th[e] bill." Hearings on S. 1006 (1st Sess.), at 64. In 1955 Congress authorized a series of studies, which were printed and later incorporated in the legislative history. *Id.* at 59-60. The Register of Copyrights issued a report in 1961 that suggested changes in the law but did not include a draft bill. Copyright Law Revision, Part 1. The Copyright Office did release a preliminary draft revision bill in 1963 (Copyright Law Revision, Part 3, at 1-36); then, following panel discussions with various interested parties, it issued revised drafts in 1964 and 1965 which were formally introduced in Congress. H.R. 11947; S. 3008; H.R. 4347; S. 1006. The 1965 draft formed the basis of the initial, and extensive, Congressional review. Hearings on that bill alone spanned 22 days of testimony over a three-month period, involved some 163 witnesses, and comprised more than 2300 pages of written transcript. Hearings on H.R. 4347, at 1857. In the next ten years, revision bills were submitted in each term of Congress,[12] and further hearings were held in 1965, 1966, 1967, 1973 and 1975.[13] Much of the testimony addressed a succession

12 H.R. Rep. No. 1476, at 47-50, 1976 U.S. Code Cong. & Ad. News at 5660-63. *See, e.g.*, H.R. 2237; H.R. 2512; H.R. 2223; S. 597; S. 543; S. 644; S. 1361.

13 H.R. Rep. No. 1476, at 47-50, 1976 U.S. Code Cong. & Ad. News at 5660-63. *See, e.g.*, Hearings on S. 1006; Hearings on S. 597; Hearings on S. 1361; Hearings on H.R. 2223.

of new controversies that delayed passage, including cable television, photocopying and computers. *See, e.g.*, Hearings on H.R. 4347, at 315-76, 380-98, 1144-55, 1223-1381; Hearings on S. 1006 (2d Sess.), at 2-252. However, most sections of the bill drew comments in this lengthy process.

The substance of the Exception, in slightly different words, appeared in the 1963 preliminary draft and the 1964 bill. Copyright Law Revision, Part 3, at 16 (Alt. A), 21; Copyright Law Revision, Part 5, at 10, 13-15; S. 3008 §§ 16(b)(1), 22(c)(3)(A); H.R. 11947 §§ 16(b)(1), 22(c)(3)(A). The 1965 Revision Bill, the measure on which hearings were first held in the long sequence leading to passage of the Act, contains the language of the Exception as it was later enacted. S. 1006 §§ 203(b)(1), 304(c)(5)(A); H.R. 4347 §§ 203(b)(1), 304(c)(5)(A). In the intervening years, the language reappeared in each new version.[14]

2. *Congress was aware of multi-party arrangements*

Neither the transcripts of the Congressional hearings held over the 1965-75 decade nor the floor debates contain in direct juxtaposition discussion of the termination provision and the contractual arrangements of composer, music publisher and record company. This gives no valid ground, however, for the "proposition" of the Court of Appeals that Congress (and the Copyright Office) overlooked the typical arrangements governed by the termination provision.[15]

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[14] *E.g.*, H.R. 2512 § 304(c)(6)(A); S. 543 § 304(c)(6)(A); S. 644 § 304(c)(6)(A); S. 1361 § 304(c)(6)(A). For a summary of the legislative history following introduction of S. 1006 and H.R. 4347, *see* S. Rep. No. 473, at 47-50; H.R. Rep. No. 1476, at 47-50, 1976 U.S. Code Cong. & Ad. News at 5660-63.

[15] The District Court, finding no specific comment by any member of Congress or by the Copyright Office about the application of the termination provision to music publishers, observed that "[i]t is an unwarranted assumption that Congress itself ever gave thought to the issue" (Pet. App. 45a). In this respect, the District Court may have

To begin with, the Court's proposition that Congress did not consider how the termination provision would apply to the music industry is somewhat surprising in view of the Court's own statement (Pet. App. 21a) that this provision was intended to "overturn" this Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), which involved just such arrangements. There, as here, the Court was presented with a typical relationship in the music industry. One of the composers of the song "When Irish Eyes Are Smiling," during the first term of copyright under the 1909 Act, had assigned to a music publisher all rights to the renewal term of the copyright of that and a number of other songs. Thereafter, the composer applied for and registered in his own name the renewal copyright for "When Irish Eyes Are Smiling," then assigned that renewal interest to a second music publisher. At issue was the effectiveness of the assignment of renewal rights made during the initial copyright term. This Court concluded that Congress had not precluded the composer from effectively assigning his renewal interest to the first music publisher. To the extent that the termination provision of the 1976 Act was in response to *Witmark*, the fact pattern before Congress reflected a "standard" arrangement, involved here, in which a composer assigns rights in a group of songs to a music publisher.[16]

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understated the supportive effect of the legislative history. As shown below (pp. 30-31, 35-36, *infra*), Congress reviewed both the arrangements in the music industry and the termination provision, albeit in different segments of the hearings. In any event, the District Court reviewed the legislative record and found that Congress acted with awareness of the role of music publishers and sought to accommodate a variety of interests (Pet. App. 48a-50a, 56a-59a).

[16] The case law under the renewal provisions of the 1909 Act is largely comprised of disputes involving musical compositions. For example, twice after *Witmark*, this Court considered the renewal provisions, each case involving again arrangements between composers and music publishers in the music industry. *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960); *De Sylva v. Ballentine*, 351 U.S. 570 (1956). *See also* Ringer, Study No. 31. In that study, Ms. Ringer—whose statements on the purpose of the Exception the Court of

The belief that Congress acted without awareness of such arrangements is rebutted, moreover, by the lengthy hearings preceding the 1976 Act. The music industry was a principal topic of the hearings. *E.g.*, Hearings on H.R. 4347, at 33-34, 659-770, 826-981; Hearings on S. 597, at 426-33, 875-84; *see* S. Rep. No. 519, at 9 (Report of Sen. McClellan that "[d]uring the hearings and subsequently there was considerable data submitted to the subcommittee concerning the existing business practices and financial condition of the record and music publishing industries"). Witnesses described to Congress the "typical" arrangements in the music industry—the subject of this case. *E.g.*, Hearings on H.R. 4347, at 183, 286-93, 302, 680, 844-46, 1743-44.[17]

Still more specifically, the basic form of the "Fox license" involved in this case was brought to the attention of the legislators. This form, prepared and completed by the interpleader-plaintiff, The Harry Fox Agency, as agent of various music publishers—the one that appears in the Joint Appendix before this Court in licenses for "Who's Sorry Now" (JA 23-27)—was presented and explained to Congress. Hearings on H.R. 4347, at 837, 844, 903; Hearings on S. 597, at 422-24.

Appeals misconstrued (*see* note 23, *infra*) but whose contribution to the Act the Court properly assessed (Pet. App. 18a n.15)—thoroughly reviewed the decisional law under the 1909 Act, focusing on a number of decisions arising from grants of rights in musical compositions. *E.g.*, Ringer, Study No. 31, at 169-70. Mr. Ringer's study, as well as the Register's report (Copyright Law Revision, Part 1, at 90-94) and the legislative reports accompanying the Act (H.R. Rep. No. 1476, at 124-25, 1976 U.S. Code Cong. & Ad. News at 5740; S. Rep. No. 473, at 108), also reveal that the termination provision, including the Exception, was intended to recognize, address and accommodate a host of interests and issues beyond the issue in the *Mirisch* case. *See* pp. 33, 37-39, 41-43, *infra*.

[17] In the 34 studies authorized by Congress and incorporated in the hearing record (Hearings on S. 1006 (1st Sess.), at 59-60), industry experts described repeatedly and in various contexts the standard practice in the music industry. *See, e.g.*, Blaisdell, Study No. 2, at 49, 51, 55; Hanna, Study No. 5, at 44-46; Blaisdell, Study No. 6, at 92-96, 99-104; Kaminstein, Study No. 11, at 23-34.

These presentations displayed, exactly as does the record in this case, the licensing arrangements between composer, music publisher and record company. Similarly, the financial arrangement between composer and publisher—the 50-50 split of mechanical royalties found by the courts below to be typical of the industry (Pet. App. 19a, 27a, 29a)—was described repeatedly at the hearings. *E.g.*, Hearings on H.R. 4347, at 183, 844, 936. Experts explained, moreover, that the 50-50 split is provided for in the standard contract prepared by the Songwriters Protective Association "which a music publisher must sign before he may purchase the compositions of SPA members." Blaisdell, Study No. 6, at 92; *see* Hearings on S. 597, at 875.

It is not to be supposed that the legislators were unable to carry this knowledge with them as they dealt with the same industry elsewhere in the Act. Illustrating that members of Congress do not wall off or forget relevant knowledge, Subcommittee Chairman Kastenmeier recalled in a different segment of the hearings "some testimony that [the split] was normally 50-50." Hearings on H.R. 4347, at 936; *see also* Hearings on H.R. 2223, at 1650-57; Hearings on S. 597, at 882-84; Hearings on H.R. 4347, at 183.

The Court of Appeals assumed that the Exception was enacted only "to protect owners of derivative works like film producers who own derivative copyrights in books or plays" (Pet. App. 17a), and it apparently assumed further that motion pictures are conceived, created and distributed in a two-party arrangement involving an author and the producer alone. But the first assumption is unfounded and the second is demonstrably wrong. As shown more fully below (pp. 32-35), music publishers were plainly considered as the legislation matured; there is no reason whatever to suppose that they were silently excluded from the general terms of the Exception. Furthermore, the Court of Appeals was mistaken in supposing that the standard arrangement for motion pictures is a one-step grant. Multi-party arrangements among authors, producers and dis-

tributors are common. *See* P. Baumgarten & D. Farber, *Producing, Financing and Distributing Film* 1, 6, 27 (1973); 2 A. Lindey, *Lindey on Entertainment, Publishing and the Arts* 802-09, 860-61, 868-75 (2d ed. 1983).[18] Film production arrangements are in fact strikingly similar to those in music publishing; in both fields the grantee's sublicensee (the record company or film distributor) often owns the copyright in the derivative work (P. Baumgarten & D. Farber, *supra*, at 65; 2 A. Lindey, *supra*, at 860) and royalties paid by that owner are shared by the author/composer and his or her direct grantee (the music publisher or film producer). P. Baumgarten & D. Farber, *supra*, at 13, 31.[19]

3. *Congress considered the role of music publishers*

The Court of Appeals pointed to no support for its narrow view of music publishers as mere "middlemen" (Pet. App. 4a, 11a, 14a n.10, 15a-16a n.11, 21a, 22a). The District Court, in its review of the full legislative history, correctly found support for its conclusion that "music publishers play an integral part

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18 In other artistic endeavors as well multiple parties are involved. Novelists grant rights to publishers, who license others to create various subsidiary works. *See* 1 A. Lindey, *Lindey on Entertainment, Publishing and the Arts* 177, 199 (2d ed. 1983). Rights in television productions are divided among authors, producers, networks, sponsors, agents and others. *Id.* at 1125, 1208. Courts long ago faced licensing arrangements more complex than the two-party, one-step model portrayed by the Court of Appeals as the only situation contemplated by Congress. Thus, in *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469, 470 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951), a novelist and a dramatist assigned to Ricordi the right to produce a derivative work opera. Ricordi arranged for Puccini to create the opera, and then Puccini's heirs assigned to Ricordi the renewal term copyright in the derivative work.

19 While in much briefer measure than the presentations on the music industry, witnesses before Congress noted the various participants in a motion picture transaction, revealing, both by the capacities in which they appeared and by the substance of their statements, that the creator and owner of a copyrighted film may not be the same entity. *E.g.*, Hearings on H.R. 4347, at 983-85, 1369-70.

in the dissemination of musical works" (*id.* at 57a). Witnesses of varied perspectives testified at the hearings on the role of the publisher in the creation, promotion and dissemination of music.

In expressing his "wholesale support" for the 1965 bill in the Senate, Leonard Feist, speaking for the Music Publishers Association, pointed out that publishers offer "risk, patience and faith" to the creative process, thus helping to bring works before the public. He elaborated the ways in which publishers had "assum[ed] their professional responsibility for the musical art of their country" and had made both "financial investment" and a "commitment" to the "process of America's artistic growth in music." Hearings on S. 1006 (1st Sess.), at 194. He explained that publishers' income derives chiefly from broadcasting and record rights, noting that "[i]n general, royalties from . . . phonograph records are divided equally between publisher and composer." *Id.* at 183. Feist believed that the legislation he was endorsing benefited both authors and publishers; in his statement on behalf of the extension of the copyright term, he emphasized the "particular importance" of this provision "to our serious composers *and their publishers*." *Id.* at 185, 194 (emphasis added).

In the House hearings, other witnesses reiterated the key role played by publishers in bringing artistic works to the public. Edwin H. Morris, a publisher, noted:

> A writer expects the publisher to fulfill many functions—at times, to advance funds against future royalties on works which may or may not capture the public fancy; to bring those works to the attention of the public in the best possible light; oftentimes to arrange a complex collaboration among the various parties to the production of a musical show—composer, lyricist, author of the book, and producer. The production of a play is a hazardous enterprise to all concerned. The production of a musical play requires a very substantial investment and many months of intense preparation. Yet all may be lost on the

> opening night if the performance fails to impress the critics. The income from publication of the songs in the show rarely equals the publisher's investment. He must look to those few shows that have successful songs, to recoup his losses in all the others. [Hearings on H.R. 4347, at 300.]

Robert Nathan, a consultant for the Music Publishers Protective Association, Inc., made a similar point:

> Let us look at the functions of a music publisher. Probably his most important contribution to the music industry is his ability to discover, recognize, and encourage new and creative talent. To do this requires professional and intellectual qualifications of a high order. [*Id.* at 1743.]

Nathan went on to describe in detail the substantial financial investment typically made by music publishers in bringing songs to the public. *Id.* at 1743-44; *see also* Hearings on H.R. 2223, at 1651-53 (letter from Leonard Feist).

The music publishers and their representatives were not alone in extolling publishers' contributions to the creative process. Congress heard extensive testimony from composers and their trade organizations describing, and supporting, the typical 50-50 royalty splits. *E.g.*, Hearings on S. 597, at 327, 358-59, 875-84; Hearings on H.R. 2223, at 1654. Burton Lane, president of the American Guild of Authors & Composers, explained that in order to devote full time to creative activities, composers "found it necessary to share . . . royalties with the publishers whose job it is to publish and exploit the songs we write. It is a partnership arrangement which has worked very well." Hearings on S. 597, at 882. Composer Johnny Mercer echoed the sentiment:

> Writers need publishers. A writer cannot promote his own work . . . . . [T]he writers and publishers share royalties equally. This is definitely to both their advantage. [*Id.* at 327.]

Composer Marvin Hamlisch told the House that "the plight of the composer is not up against the publisher because we have had great success with dealings with publishers." Hearings on H.R. 2223, at 1653.

4. *Congress considered the Exception*

The legislative history also confirms that Congress gave attention to the termination provision before enacting it. Congress approached this provision aware of its importance, its controversial aspects and the Register's efforts to accommodate all interests affected by the proposed section. H.R. Rep. No. 83, at 90; *see also* Copyright Law Revision, Part 6, at 71-72. Working from draft language developed by the Copyright Office, Congress adopted "some amendments in the details" of the provision, while retaining "the broad principles of the compromise" and the language of the Exception as contained in the first bill. H.R. Rep. No. 83, at 90; *compare* H.R. 4347 § 203 *with* H.R. 2512 § 203. The final legislative reports and the Act itself reflect the careful review given by the Congress to this subject. *See* H.R. Rep. No. 1476, at 124-28, 139-42, 1976 U.S. Code Cong. & Ad. News at 5739-44, 5755-58.

By the 22nd day of the 1965 hearings, the then Register of Copyrights, Abraham L. Kaminstein—who earlier called the "reversion problem" "the most explosive and difficult issue" of the revision program (Copyright Law Revision, Part 6, at 71)—could testify that the termination provision had "largely receded as an issue in general revision." Hearings on H.R. 4347, at 1866. Nevertheless, during these hearings, presentations from various perspectives were offered on the mechanics, philosophy and draft language for the statute. *Id.* at 92-94, 107-08, 129-30, 132, 159, 162, 233-34, 257, 358-59, 447, 1035-37, 1048, 1129, 1199, 1541, 1816. Barbara A. Ringer, when Register of Copyrights, later recounted the evolution of the termination provision:

During the pre-legislative period in the current revision program, and particularly between 1961 and 1965, the provisions on ownership and transfers of copyright were the subject of close scrutiny, some hot debate, and a great deal of tortuous drafting and redrafting. Almost every provision in Chapter II represents a compromise of one sort or another, and those involving works made for hire and termination of transfers were extraordinarily difficult to achieve. However, by the time the bill reached the stage of hearings before the House Judiciary Subcommittee in 1965, most of the disagreements were on the way to being resolved. After painstakingly reviewing Chapter 2, particularly the labyrinthine provisions of section 203, and after adopting some amendments, the subcommittee produced a chapter on copyright ownership and transfer together with a definitive legislative report, that have remained unchanged and virtually unchallenged for nearly ten years. [Draft Second Supplementary Report of the Register of Copyrights at 296.]

Against the full record, there is no basis to conclude, as the Court of Appeals did, that Congress acted in ignorance of the relationships to which the termination provision might apply and would have written the Exception differently but for this ignorance. On the contrary, the legislative history reveals that Congress, in much greater detail than the Court of Appeals, was informed of the typical arrangements in the music industry as well as similar business arrangements affecting the other arts.[20] It was wrong and unnecessary to seek to write a different statute Congress "would have intended" when the available evidence suggests that Congress simply meant what it said.[21]

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20 The Copyright Office, which drafted the Exception, was also informed of music industry practices. *E.g.*, Henn, Study No. 5, at 44-50; Blaisdell, Study No. 6, at 93-95; Kaminstein, Study No. 11, at 23-24.

21 Unable to support their position through Congressional hearings and debates, the Snyders have contended that certain statements made

C. The Act was designed to protect an array of interests, including publishers

1. *The legislative history reveals balances, compromises and accommodations of interests*

Drawing on Congressional reports accompanying the 1976 Act as well as reports prepared by the Copyright Office prior to 1976, the District Court observed that "the termination provisions represent an accommodation of the various interests involved" (Pet. App. 48a). Recognizing as it did that "[i]n the music industry, music publishers play an integral part in the dissemination of musical works" (*id.* at 57a), Congress "limited the benefits that revert to authors upon termination" (*id.* at 54a). A fair review of the legislative materials extensively cited by Judge Weinfeld confirms that Congress intended to

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by two music publishing representatives during the informal panel discussions sponsored by the Copyright Office reflected an understanding that the Exception was not intended to benefit music publishers. Citing Copyright Law Revision, Part 3, at 283, 284-85, 297, 319. The District Court, analyzing these statements in their context of "free-wheeling" discussion "during the very heat of controversy," found they reflected only a broad attack on the idea of termination in general and "provide[d] a shallow base on which to divine Congressional intent" (Pet. App. 45a). This was a solid appraisal. Statements in these panel discussions can hardly determine the construction of the Exception. Unlike the later formal presentations made by the same publishing representatives to Congress endorsing the revision bill (Hearings on S. 1006 (1st Sess.), at 182; Hearings on H.R. 4347, at 276, 296), the earlier statements at the informal panel discussions, as the Register of Copyrights observed at the time, "do not necessarily reflect or represent any formal or official position." Copyright Law Revision, Part 3, at 256. The panel discussions were never made part of the formal hearing record. *See* Hearings on S. 1006 (1st Sess.), at 59-60. Even were they incorporated in the record and treated as statements of witnesses at Committee hearings, the statements would be accorded little weight. *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 203 n.24 (1976) ("Remarks of this kind made in the course of legislative debate or hearings other than by persons responsible for the preparation or the drafting of a bill are entitled to little weight"). *A fortiori*, their significance is trivial or nil when no elected legislator was even present at these informal conversations.

recognize, and accommodate, all competing interests when it extended the copyright term.

Register of Copyrights Kaminstein made this clear as early as 1965, when he testified before Congress:

> I regard the bill as a genuine improvement over the present law, and one of its strengths is that it is neither an "author's bill" nor a "users' bill." A number of its provisions represent carefully worked-out compromises which . . . have proved a satisfactory way of balancing the interests. As a result, the bill has received gratifyingly widespread and strong support. [Hearings on S. 1006 (1st Sess.), at 66; *see also* Hearings on H.R. 4347, at 1869.]

Two years later, when Congress considered a termination provision substantially identical to the one ultimately enacted in 1976, the accompanying House Report stated that the provision "reflects a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved." H.R. Rep. No. 83, at 90. And when the Congress enacted the 1976 Act, the accompanying House Report described the termination provision as giving authors "an opportunity to share" in the extended copyright term, not an exclusive interest. H.R. Rep. No. 1476, at 140, 1976 U.S. Code Cong. & A . News at 5756.

The decision of the Court of Appeals turns on the unquestioned point that the Act was designed to afford greater protection than the prior law had given to authors. There is no doubt that this was among the objectives. But there is no remote basis for believing that this was an exclusive concern, informing every section of the Act, including a provision like the one here explicitly *limiting* a benefit given to authors. Congress, as shown, was in fact well aware of the role of music publishers in helping to make artistic works available to the public. It is plain, as Judge Weinfeld held, that Congress sought to balance and accommodate varied interests, in the

Exception as elsewhere. The crisp statement of the point by both Houses, directly relevant here, bears emphasis:

> [The termination section] reflects a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved. [S. Rep. No. 473, at 108; H.R. Rep. No. 1476, at 124, 1976 U.S. Code Cong. & Ad. News at 5740.]

2. *The evidence of legislative intent cited by the Court of Appeals does not support its conclusion excluding publishers*

Without expressly treating the extensive legislative history reviewed by the District Court, the Court of Appeals looked to five items as evidence for its conclusion that Congress chose "derivative works' owners, themselves creators, not publishers," to be the "intended beneficiaries of the Exception" (Pet. App. 28a, 17a-23a). These fail to overcome the plain language of the Exception and the carefully considered conclusion from the legislative history drawn by the District Court.

(1) The Court of Appeals first pointed to the final House Report, which illustrates the Exception by reference to the creation of a film. The Report states:

> In other words, a film made from a play could continue to be licensed for performance after the motion picture contract had been terminated but any remake rights covered by the contract would be cut off. For this purpose, a motion picture would be considered as a "derivative work" with respect to every "pre-existing work" incorporated in it, whether the pre-existing work was created independently or was prepared expressly for the motion picture. [H.R. Rep. No. 1476, at 127, 1976 U.S. Code Cong. & Ad. News at 5743 (quoted at Pet. App. 17a-18a).]

But the legislative report nowhere states or implies that the Exception is limited to motion pictures. Indeed, Congress was working with a final bill that defined "derivative works" expressly to include a "sound recording." 17 U.S.C. § 101.

Thus, while the above-quoted passage uses film as an *illustration*, the words of the Exception and its statutory context compel a far broader application. Had Congress intended to limit the Exception to motion pictures, it would have done so; other provisions of the Act are so specifically limited. *E.g.*, § 112 (removing motion pictures from "ephemeral recording exemption"); § 108(h) (removing motion pictures from exemption for library and archival reproduction). It is noteworthy for present purposes that some trade groups did urge limiting the Exception to motion pictures, and offered amendatory language to accomplish this. Copyright Law Revision, Part 5, at 242-45, 251. The change thus rejected was not left for achievement in court.

(2) The only other reference to observations of legislators cited by the Court of Appeals was H.R. Rep. No. 83, which was issued in 1967. That report contained the following language, deleted in the final reports accompanying the Act:

> Grantees would be given the equivalent of a right of "first refusal," and *any grantee who has made a derivative work* under his grant could continue to use it even after termination. [H.R. Rep. No. 83, at 9 (quoted and emphasized at Pet. App. 19a).]

Once more, the quoted statement (even if it had not later been deleted) adds little to the issue before this Court. It is neither disputed nor illuminating in this case that "any grantee who has made a derivative work under his grant could continue to use it even after termination." What matters here is that the report did not *limit* the protected class to such grantees alone, and it referred to the "terminated grant" for the "terms" of the continued use. Had there been imposed a random and arbitrary limitation to the terminated grantee, record companies

would be excluded from the intended protection, for they are not "grantees" of an author whose "grants" are being terminated. But it is agreed of course that there is no such exclusion. When the final legislative reports were drafted, Congress plainly revealed its intention that "all interests" were to be protected. *See* S. Rep. No. 473, at 108; H.R. Rep. No. 1476, at 124, 1976 U.S. Code Cong. & Ad. News at 5739-40.[22]

(3) From the hundreds of pages of the pre-legislative history, the stage prior to the introduction of a revision bill in Congress in 1964, the Court of Appeals pointed to certain passing statements by Barbara Ringer, then Assistant Register, again to support the view that only "owners" of derivative works were to be covered by the Exception (Pet. App. 18a).[23] But the Court's characterization of these statements is mistaken. None focused on the issue here—the right to royalties from the derivative work's owner under the terms of a grant. Read in context, these statements, far from supporting the appellate decision, reflect an intention to protect the rights of all grantees.

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22 The Court of Appeals appears to speak of "owners" and "creators" of derivative works interchangeably. This blurring of roles obscures a serious flaw in the Court's analysis. To take the illustration of a film, at the point of termination the producer/creator might not own the copyright on the film. *See* p. 32, *supra*. That creative person or entity would no longer be a "utilizer." Some purchaser of the producer's rights would be in that position. It is not doubted that this purchaser would be entitled to "utilize" the derivative work "under the terms of the grant." Again, the proposed distinction between "creators" and disfavored "middlemen" or other merchants falls to pieces because it is not at all what Congress had in view.

23 The Court quoted Ms. Ringer as stating that the purpose of the clause was to " 'permit the owner of a derivative work, such as a motion picture, to continue using it' after termination of the grant of copyright in the underlying work" (Pet. App. 18a, quoting Copyright Law Revision, Part 3, at 278). Similarly, the Court noted that Ms. Ringer, in a panel discussion, stated that the Exception was designed to "preserve the right of the owner of a derivative work to exploit it, notwithstanding the reversion" (Pet. App. 18a n.15, quoting Copy-

Ms. Ringer said what is not doubted—that the proposed legislation would allow "the owner" to continue to use a derivative work after termination. But nowhere did she say, or intimate, that the owner or user would pay royalties for this continued right only to the party exercising the power of termination, erasing any rights of a party who had licensed the derivative work owner "under authority of the grant" being terminated. In fact, when the Copyright Office finally issued its Supplementary Report, summarizing its work and taking account of the earlier panel discussions, it made clear that the interests of publishers, among others, were being protected, regardless of "ownership status":

> During the course of the protracted discussions on this subject we in the Copyright Office have remained firmly committed to the general principle of reversion as one of the most important elements of the copyright law revision program. At the same time, we have recognized that there are legitimate arguments on both sides of this question, and that a reconciliation between the conflicting interests is necessary and desirable. Rather than clinging stubbornly to any particular formula for implementing the principle of reversion, *we have sought actively and persistently to find a basis for agreement that would be of practical benefit to authors and their families without being unfair to publishers, film producers, and other users.* [Copyright Law Revision, Part 6, at 72 (emphasis added).]

This recognition of "publishers" appears in the final legislative reports. S. Rep. No. 473, at 117; H.R. Rep. No. 1476, at 134, 1976 U.S. Code Cong. & Ad. News at 5750.[24]

(4) The Court of Appeals also looked to its own decision in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977), to support the view that the Exception protected only "derivative works' owners, themselves creators" (Pet. App. 20a). Apart from the fact that Congress itself could not possibly have given this Second Circuit decision, post-dating the Act, as evidence of its legislative intent, the citation fails of its purpose. *Rohauer* was decided under the prior copyright statute. The cited dictum touching the 1976 Act was written when the Court had no occasion to consider, and did not consider, the application of

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right Law Revision, Part 4, at 39). The Court added that the reason for protecting derivative users, "according to Ringer, is that 'users, such as motion picture producers and book publishers (*to name two of many*), contribute a great deal themselves to the success of a work and assume considerable economic risks and losses which the author does not . . . .'" (*Id.*, quoting Copyright Law Revision, Part 3, at 277) (emphasis added).

The Court of Appeals concludes its opinion by partially quoting a passage from Ms. Ringer as stating that the "'termination provision of the 1976 Act 'mark[s] a break with a two-hundred-year-old tradition that has identified copyright more closely with the publisher than with the author'" and treating this quotation as an affirmation of a "'congressional purpose'" (Pet. App. 23a-24a, quoting Ringer, *First Thoughts on the Copyright Act of 1976*, 22 N.Y.L. Sch. L. Rev. 477, 490 (1977)). The Snyders had similarly quoted this statement out of context. Snyders' App. Br. at 5. As the full text reveals, Ms. Ringer was not specifically addressing the termination provision; her quoted sentence begins: "But, taken as a whole, these changes [*i.e.*, establishment of a single federal system, the change in the term of copyright and revisions in the sections on ownership and statutory formalities as well as the "termination provision"] mark a break . . . . ." 22 N.Y.L. Sch. L. Rev. at 490. Nothing in the quoted section or in the article as a whole suggests that the Act was to be "pro-author." Rather, Ms. Ringer—consistent with other statements of Copyright Office officials—emphasized that the Act was a product of successive compromises. *Id.* at 481-82.

This recognition of "publishers" appears in the final legislative reports. S. Rep. No. 473, at 117; H.R. Rep. No. 1476, at 134, 1976 U.S. Code Cong. & Ad. News at 5750.[24]

(4) The Court of Appeals also looked to its own decision in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977), to support the view that the Exception protected only "'derivative works' owners, themselves creators" (Pet. App. 20a). Apart from the fact that Congress itself could not possibly have given this Second Circuit decision, post-dating the Act, as evidence of its legislative intent, the citation fails of its purpose. *Rohauer* was decided under the prior copyright statute. The cited dictum touching the 1976 Act was written when the Court had no occasion to consider, and did not consider, the application of

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24 *See also* Kaminstein, *The 60-Civilian-Caliber Bill for General Revision of the United States Copyright Law*, 10 N.Y. Law Forum 147 (1964). In this article, the then Register of Copyrights stated:

> Representatives of authors' organizations have urged that a strong provision for reversion or recapture is essential to their interests, while those representing publishing and motion picture interests have strongly opposed such a provision. Section 16 represents an effort to compromise these conflicting positions, and I am hopeful that it will serve as the basis for a reconciliation of viewpoints on this important question. [*Id.* at 150.]

"the kind of bargain" that led to the Exception. The legislative reports describe the termination right as a safeguard against "unremunerative transfers" and "unequal bargaining position." H.R. Rep. No. 1476, at 124, 1976 U.S. Code Cong. & Ad. News at 5740; S. Rep. No. 473, at 108. As originally presented by the Copyright Office, such a right was required to protect against improvident transfers of all rights for a one-time, lump sum payment as opposed to an ongoing royalty. In fact, the Register originally proposed a reversion right only in the case of a lump sum transfer. Copyright Law Revision, Part 1, at 93. The preliminary draft went beyond the lump sum transfer because "royalties could be nominal and the proposal could easily be evaded." Copyright Law Revision, Part 3, at 277-78 (Statement of B. Ringer). A continuing royalty of 50%, the industry standard agreed to by Ted Snyder, is seen clearly against this background as not being the type of "unremunerative transfer" to which the termination provision was addressed.[26]

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26 Among the incidental errors of the Court of Appeals was the observation that "[t]he District Court gave unjustified weight to a proposal in the pre-enactment hearings by the Authors League which the District Court thought evidenced a construction in Mills' favor" (Pet. App. 15a n.11). The District Court treatment thus characterized consisted of a single footnote, numbered 80 (*id.* at 54a). Perhaps the sense of "unjustified weight" derived from the fact that respondents, as appellants below, found it appropriate to assail that footnote in one of the four roman-numeral points of their main brief. What emerges from all this is that the District Court's footnote 80 is a passing and impeccably accurate treatment of an item brought to that Court's attention and dealt with in its "characteristically thorough" fashion (*id.* at 3a). It is of at least equal interest that authors' representatives recognized that their constituents would "receive no additional benefits from their assignees' continued utilization of old derivative works after termination," and offered amendatory language to rectify that perceived injustice (*id.* at 54a-55a n.80).

the Exception to music publishers. While the dictum did comment in the abstract on respective contributions to a derivative work, it also recognized that the Exception "was part of the package which extended the temporal rights of authors (but also of their assignees)." 551 F.2d at 494.[27]

(3) The Court below, as the final support for its holding, cited various adjustments to the timing and mechanics of the termination right as the Act evolved to illustrate "accommodations" justifying the exclusion of publishers' rights from the Exception (Pet. App. 22a-23a). But none of the cited changes made by the Copyright Office had specific reference to music publishers; the exact same illustrations could be used to support a construction of the Exception against movie producers, creators of derivative works and other groups which sought to narrow the termination right. It is unmoored speculation to posit that these changes were made in return for disadvantaging music publishers under the Exception, but not users of derivative works or other grantees licensing such uses—a thought nowhere expressed by anyone involved in the legislative process.

In construing the Exception to exclude any grant from a composer to a music publisher, the Court of Appeals allowed that the "contract between the creator and a middleman . . . is precisely the kind of bargain to which the termination clause was addressed" (Pet. App. 21a). The history reveals, however, that the typical 50-50 split in the music industry was not at all

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27 *Rohauer* "has been the subject of adverse critical commentary." *Russell v. Price*, 612 F.2d 1123, 1128 n.10 (9th Cir. 1979), *cert. denied*, 446 U.S. 952 (1980); *see* 1 M. Nimmer, *Nimmer on Copyright* § 3.07[A] at 3-31. Professor Nimmer observed:

> Ordinarily a copyright decision by the prestigious Second Circuit Court of Appeals stands as unquestioned law. This is particularly true of an opinion written by Judge Friendly, who is surely one of the nation's outstanding copyright judges. But for reasons outlined above, it is submitted that this decision is plainly wrong, and of Judge Friendly it may be said (as Learned Hand, paraphrasing Horace, once said of a Holmes opinion), "for once Homer nodded."

D. The District Court concluded correctly that the statutory language controls

We re-emphasize in the end that the petitioner's position, adopted by the District Court, rests ultimately upon the Exception's plain meaning. Whether the legislative history is thought "ambiguous" or, as we have argued, more favorable to Mills, it surely is not the firm basis for deciding what Congress meant. *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 412 n.29 (1971) (where there is "ambiguity" in the legislative history "it is clear that we must look primarily to the statute[ ] . . . to find the legislative intent"). Where, as here, the statutory language delivers a clear and sensible message, there is no good reason to conjure with assorted tatters of history as grounds "of a possibly contrary congressional intent." *American Tobacco Co. v. Patterson*, 456 U.S. 63, 75 (1982). *See also United States Railroad Retirement Board v. Fritz*, 449 U.S. 166, 179 (1980); *Consumer Product Safety Commission v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980); *Piper v. Chris-Craft Industries*, 430 U.S. 1, 26 (1977); *Commissioner v. Gordon*, 391 U.S. 83, 91-93 (1968); *Addison v. Holly Hill Fruit Products*, 322 U.S. 607, 617 (1944). The fundamental error of the Court of Appeals was its departure from this principle.

Overriding the plain language of the Exception, and misconstruing its history, the Court of Appeals took a strong policy position that permeates the opinion but was not adopted by Congress. As Judge Weinfeld properly recognized, rejecting the Snyders' asserted animus against the so-called "middleman," the termination provision, as qualified by the Exception, still gives the author complete control over *new* derivative works. In the case of motion pictures, for example, this gives the author control over "re-makes" of a movie—an important right identified in the legislative history. Hearings on H.R. 4347, at 93. In the case of a song, the composer gains control over all new derivative works utilizing the underlying copyright. This, too, is an important right, especially where the publisher's efforts have turned a song into a "standard" (i.e., a song that continues to be popular and to sell over a long

period).[27] In addition to control over new sound recordings, the composer, on termination, regains the right to exploit other uses of the song, such as reproduction of its music and/or lyrics in a folio or book.

All that the Act does not give an author, because of the Exception, is the chance to increase his or her revenue rate from *old* derivative works. That was the purpose of the Exception. It prevents an author from seeking to renegotiate the terms of the grant under which an old derivative work was made. And there is no inequity in freezing the terms of that grant. Where a publisher has invested in the dissemination of a song but through termination is denied all participation in new derivative works, the publisher continues to receive the agreed upon share derived from old derivative works. The author can hardly complain if he or she does not receive an increased share from a derivative work created by another during the time the publisher was the copyright proprietor of the song.

Beyond being mandated by the plain words of the Exception, the opinion of the District Court provides a sound rule of law under the Act. It preserves pre-existing arrangements negotiated for pre-termination derivative works, and it recognizes and gives effect to the collaborative efforts resulting in the creation and dissemination of works of art. Thus read, the Exception encourages maximum use of and public access to derivative works, advancing the basic purposes of the Act. *See Sony Corp. of America v. Universal City Studios, Inc.*, ____ U.S. ____, 104 S. Ct. 774, 782 (1984). In this broad aspect, and in its specific construction of the Exception, the District Court accurately found and applied the statutory mandate.

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27 During the years 1970-80 alone, Mills licensed 63 sound recordings of "Who's Sorry Now" (JA 34). If the Snyders exploit the song as successfully as Mills, the royalties from new derivative works should be considerable.

CONCLUSION

The judgment of the Court of Appeals should be reversed.

Respectfully submitted,

MARVIN E. FRANKEL
(Counsel of Record)

MICHAEL S. OBERMAN
STEVEN E. GREENBAUM

KRAMER, LEVIN, NESSEN, KAMIN
& FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100

Attorneys for Petitioner
Mills Music, Inc.

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APPENDIX

§304. Duration of copyright: Subsisting copyrights

(a) Copyrights in Their First Term on January 1, 1978.—Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for twenty-eight years from the date it was originally secured: *Provided*, That in the case of any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or of any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire, the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of forty-seven years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further*, That in the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work, the author of such work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his or her next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of forty-seven years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further*, That in default of the registration of such application for renewal and extension, the copyright in any work shall terminate at the expiration of twenty-eight years from the date copyright was originally secured.

(b) Copyrights in Their Renewal Term or Registered for Renewal Before January 1, 1978.—The duration of any copyright, the renewal term of which is subsisting at any time

between December 31, 1976, and December 31, 1977, inclusive, or for which renewal registration is made between December 31, 1976, and December 31, 1977, inclusive, is extended to endure for a term of seventy-five years from the date copyright was originally secured.

(c) **Termination of Transfers and Licenses Covering Extended Renewal Term.**—In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by the second proviso of subsection (a) of this section, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, by his widow or her widower and his or her children or grandchildren as follows:

(A) the widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest;

(B) the author's surviving children, and the surviving children of any dead child of the author, own

the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them;

(C) the rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

(4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(6) In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the reversion of rights is subject to the following limitations:

(A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.*

(B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.

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* A similar exception to a termination provision is found in § 203(b)(1) of the Act.

(C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.

RESPONDENT'S

BRIEF

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No. 83-1183

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

MILLS MUSIC, INC.,

Petitioner,

—v.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR THE RESPONDENTS

HAROLD R. TYLER, JR.
(Counsel of Record)
FREDERICK T. DAVIS
ROBERT P. LOBUE

PATTERSON, BELKNAP, WEBB & TYLER
30 Rockefeller Plaza
New York, New York 10112
Tel.: (212) 541-6800

Attorneys for Respondents
Marie Snyder and Ted Snyder, Jr.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

No. 83-1153

MILLS MUSIC, INC.,

Petitioner,

—v.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR THE RESPONDENTS

SUMMARY OF ARGUMENT

This case presents a straightforward question of statutory interpretation, involving the interplay of the termination and recapture provisions of the Copyright Act of 1976 and the derivative works exception thereof.

As a panel of the Court of Appeals unanimously held, the only exclusion to the author's right to terminate any grant of copyright is the exception permitting continued utilization of a derivative work by the owner of the derivative work. Petitioner's parsing of the statute in the first half of its brief fails to focus on either the meaning of the statutory words or their place in the context of the Copyright Act. Contrary to petitioner's repeated contention, the phrase "under the terms of the grant" refers to the contractual provisions that govern derivative work utilization

by the owner of the derivative work. As Mills concedes, it has never owned any right in any of the derivative work sound recordings involved in this case and cannot "utilize" these derivative works without infringing the copyrights held by the derivative work owners. Mills is demonstrably not a beneficiary of the exception, which must be viewed in conjunction with the termination provisions to which it is appended. The termination provisions categorically provide for the recapture by authors of "all" previously-transferred rights in their original copyrights. Since the termination provision was designed to benefit authors of original compositions, and since the derivative works exception does nothing more than grant a "privilege" to those who "utilize" derivative works, Mills' attempt to insinuate itself into the statutory scheme finds no basis in the statute.

The legislative history of the exception, which is selectively discussed in the second half of Mills' brief, contrary to Mills' intention confirms the appellate court's interpretation. That history demonstrates that the sole purpose of the exception was to insure continued public access to derivative works by giving those who disseminate such works—a class concededly not including Mills—the privilege of continued utilization notwithstanding reversion of the publisher's rights to new owners such as the Snyders. It was a failure to perceive, or even inquire into, this fundamental purpose of the exception that led the District Court into its erroneous conclusion. Furthermore, the legislative materials explain that Mills' principal toehold for its contrary interpretation—that is, its claim that the word "grant" must mean the same grant whenever it is used in the statutory language—was caused by the demonstrable focus of the drafters on paradigmatic "direct grant" situations where the terminated assignee is also the creator of the derivative work. There is literally no evidence in any of the legislative materials suggesting that the drafters of the exception contemplated its application to benefit noncreative middlemen such as Mills, who purchased a copyright through one grant and subsequently authorized creation of derivative works through other grants. Rather, all participants in the drafting process, including music publishers themselves, recognized that the exception did not protect them from the loss of royalties caused by the provision terminating their rights. The sole purpose of termination was to give authors a second opportunity to bargain with hindsight as to the value of their copyrights, and the sole purpose of the exception to the author's right of termination was to give owners of derivative works the right to continue utilizing them.

For these reasons, the judgment of the Court of Appeals should be affirmed.

ARGUMENT

I. The Derivative Works Exception By Its Terms Does Not Provide Mills With Any Post-Termination Rights To Receive Royalties

The cogency of the Court of Appeals' opinion quickly becomes apparent when the exception is viewed in the context of the structuring of rights and obligations created by the Copyright Act, and their implementation in this case.

A. The exception protects only the utilization of derivative works after the underlying copyright has reverted to the author

When Ted Snyder assigned his renewal interest in "Who's Sorry Now" to Mills, he transferred to the publisher all rights secured to the owner of a work by the Copyright Act of 1909. When the Snyders exercised their termination right, effective January 3, 1980, they reclaimed all those rights previously granted. That is what § 304(c)(6) of the 1976 Act says:

> In the case of a grant executed by one or more of the authors of the work, *all* of a particular author's rights under this title that were covered by the terminated grant

> revert, upon the effective date of termination, to that author, or, if that author is dead, to the persons owning his or her termination interest. . . . (Emphasis added.)

During the period when it owned the copyright in "Who's Sorry Now" ("the Song") as assignee, Mills published the Song, as was its exclusive right under § 1(a) of the 1909 Act, and licensed record companies to create derivative work sound recordings of the Song. When record companies made sound recordings and sold phonorecords thereof, they were creating and utilizing their own derivative works, and Mills received the "mechanical royalties" generated by such activity, as was its right under § 1(e) of the 1909 Act. Mills' enjoyment of these rights derived from its then-ownership of the underlying copyright in the Song, without which it could neither have published the Song nor claimed mechanical royalties generated by exploitation of derivative works; but it never owned or exploited the derivative works themselves, which were owned by the record companies. When the Snyders recaptured ownership of "all" the rights in the Song, they took back all the rights that derive from ownership of a copyright, expressed in § 1 of the 1909 Act and § 106 of the 1976 Act. Mills no longer owns any interest in the underlying copyright, and has no claim to exercise (or receive royalties from another's exercise of) any of those rights.

The derivative works in question are the numerous sound recordings of the Song made by various record companies before termination. The 1976 Act includes "sound recordings" in the definition of derivative works, 17 U.S.C. § 101, and provides that derivative works may be copyrighted separately from the source works from which they derive (in this case, the Song). *Id.* § 103(a). Derivative works have long been recognized in American copyright law as independently copyrightable in recognition of the creativity added by the derivative author, *see, e.g., Emerson* v. *Davies*, 8 F.Cas. 615, No. 4435 (C.C. Mass. 1845). The interest of the owner of the copyright in an underlying song and the interest of the owner of the derivative sound recording are "separate and distinct." *Jondora Music Publishing Co.* v. *Melody Recordings, Inc.*, 506 F.2d 392, 396 n.12 (3d Cir. 1974), *cert. denied*, 421 U.S. 1012 (1975).[1]

The derivative works exception[2] is irrelevant to the determination of who receives royalties from the exploitation of derivative works by licensees. It does not address the allocation of rights, after termination, between the terminating party and the prior owner of the underlying copyright. Its only purpose and effect is to create the privilege to "utilize" a "derivative work" after termination. The relationship between the terminating and terminated proprietor of the underlying copyright is governed by the termination provision itself, which provides for the recapture of "all" rights previously granted by the author.

The privilege conferred by the exception is one of "utilization." As the Court of Appeals correctly perceived, the language of the exception raises an obvious—and dispositive—threshold question: "the problem is in determining who it is that is 'utilizing' the derivative work, as understood in the Exception." (Pet. App. 14a, n.10). The answer is supplied by the statute: the owner of a derivative work (in this case, each record company) is the entity entitled to, and who actually does, utilize it. That conclusion is inescapable from § 103, which recognizes the copyrightability of a "derivative work," and from § 106, which states the ways in which a copyright proprietor may utilize his property.

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1 Sound recordings became copyrightable under federal law in 1972. Pub. L. 92-140, 85 Stat. 391, *codified at* 1909 Act §§ 1(f), 5(n), 19, 20, 26, 101(e). Before that time, however, they were still considered separate properties from, but derivatives of, the underlying music. Under § 1(e) of the 1909 Act, their proprietors were answerable in royalties to the owner of the underlying music, while the sound recording itself and its owner were protected from misappropriation under state law. *See generally Goldstein* v. *California*, 412 U.S. 546 (1973); 1 M. Nimmer, *Nimmer on Copyright* § 2.10[B](2) (1983).

2 "A derivative work prepared under the authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant." 17 U.S.C. § 304(c)(6)(A).

Mills prefers not to discuss the meaning and implications of the word "utilize." Its meaning is supplied by the enumeration in § 106 of the rights of the "owner of copyright" "to do and to authorize" the following:

> (1) to reproduce the copyrighted work in copies or phonorecords;
>
> (2) to prepare derivative works based upon the copyrighted work;
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership. . . .

The second enumerated right was exercised by Mills, as pre-termination "owner of copyright" in the underlying music, when it "authorized" record companies to make derivative sound recordings of the music, in return for royalty payments—in so doing it utilized, or exploited rights attached to, the underlying copyright. When the record companies created authorized derivative works, they became the owners of these new copyrights (*see* 17 U.S.C. § 103(a)). As "owner of copyright" of the derivative works, they and they alone could exercise the first enumerated right in § 106 to "reproduce the copyrighted [derivative] work . . . in phonorecords" and the third enumerated right to distribute those phonorecords—that is utilization of a derivative work. The derivative works exception did not have to specify who may "utilize" derivative works because § 106 already covered the subject. As the Court of Appeals recognized, if Mills attempted to "utilize" any of the derivative works (either before or after termination) by engaging in any of the § 106 rights, it would infringe the derivative copyrights, which are owned by the record companies (Pet.App. 12a).

When it collected royalties from record companies, Mills was exercising the right, explicitly granted to proprietors of a copyright in a musical work, to receive royalties generated by sale of phonorecords incorporating a performance of the Song. 17 U.S.C. § 115. By contrast, utilization of the derivative work

(by distributing phonorecords) engenders an obligation to pay, not a right to receive, royalties. Since all rights in the underlying copyrighted work have reverted to the Snyders, the right to *receive* mechanical royalties necessarily resides with the Snyders, not with Mills. The obligation to *pay* royalties upon utilization of the derivative work remains—under the terms of the exception—with the record company owners of those works when and if they utilize them by manufacturing and selling phonorecords embodying "Who's Sorry Now." In short, Mills has never owned, does not now own, and does not utilize the derivative work sound recordings. It did not do so before termination, and cannot "continue" to utilize them after termination. Mills is outside the class protected by the exception.

Recognizing at one time that the exception only confers a privilege to utilize *derivative* works, Mills claimed in both courts below that in fact the music publisher was "utilizing" the derivative sound recording when it collected royalties.[3] While that argument was simply wrong—it confused the underlying and derivative copyright, as the Court of Appeals recognized—it had the virtue of acknowledging the very limited scope of the statutory exception. Now, however, in a breathtaking about-face, Mills confesses that it "does not claim to 'utilize' the sound recordings" (Pet. Br. at 21) but still says that it is covered by the exception. By this statement, Mills concedes that the music publisher is not within the class protected by the provision, but nonetheless seeks to expand it to enable the middleman to continue collecting royalties after termination.

The Court of Appeals thus recognized that the publishers "in effect would write into the Exception a provision protect-

3 The District Court recited and agreed with Mills' contention that the sound recordings "may continue to be utilized by Mills, as in the past." (Pet. App. 32a, paraphrasing Mills' Brief in Support of Motion for Summary Judgment at 14). Indeed, this misunderstanding—now acknowledged as such by Mills—was a cornerstone of the District Court's opinion. Reiterating this position in the Court of Appeals, Mills there asserted that "the statute does not define in any way or limit *by whom* the 'derivative works' may be 'utilized'. . . ." Brief of Appellee Mills Music, Inc., at 18.

ing certain rights in the underlying copyright from termination when in fact the statute does not cover them." (Pet.App. 15a). In this Court Mills proposes the same invitation to judicial reconstruction of the statute. It says that "[t]he unqualified right provided by the Exception to continue to use a *derivative* work after termination 'under the terms of the grant' necessarily means that the *underlying* work may continue to be used without further consent from the author." (Pet. Br. at 17) (emphasis added). This is true as far as it goes, but it is no basis for construing the statute to preserve underlying rights in the terminated publisher assignee (*see p.* 30 *infra*). Naturally the derivative work, which by definition incorporates elements of the underlying work, may continue to be utilized by its owner. Yet upon termination, rights in the underlying work may be exercised only by the author (or his statutory successors), because he has recovered his copyright. The exception contains no language granting a privilege of continued enjoyment of rights in the underlying copyright by anyone other than the terminating party. That omission is not accidental. (*See* Point II, *infra*).

B. Mills Music obtained no post-termination rights under the terms of any grant

Petitioner argues that the phrase "under the terms of the grant" supports its claim to the privilege conferred by the exception. Mills does not attempt to show how Mills utilizes derivative works under the terms of any grant, because it concededly does not (Pet. Br. at 21). It argues nonetheless that receipt of "royalties . . . remain[s] subject to equal division—'under the terms of the grant. . . .' " (Pet. Br. at 16). This argument ignores the very terms of the grants in this case.

The *second* grant authorizing preparation of the recordings does not oblige the record companies to pay half of the royalties to the publisher and half to the authors. Rather, it not surprisingly requires a single payment of all royalties to Mills Music, the then-owner of the underlying copyright.[4] Moreover,

4 Two examples of the second or sub-grant (the Fox licenses) are reproduced at JA 22-27. Paragraph "B" of each license lists "Mills Music Inc." as payee of "100%" of the royalties.

the *first* or Snyder-Mills grant did not simply provide for a 50-50 split of royalties. Rather, it only required Mills to pay Snyder 50% of royalties "actually received" by Mills (JA 42). Before termination Mills as copyright proprietor received 100% of the royalties, and under its contract with Snyder paid him 50% of what Mills received. After termination, the Snyders stepped into Mills' shoes and now receive 100% of post-termination royalties. Mills' argument that the exception preserves the terms of the Snyder-Mills grant does not help it.

The notion that the terms of the first grant are necessarily preserved is, in any event, plainly incorrect. Mills never quotes the phrase "under the terms of the grant" in juxtaposition with its antecedent: "*a derivative work . . . may continue to be utilized* under the terms of the grant . . . ." The phrase, reasonably read, provides that continued utilization will be under the same terms to which the derivative work utilizer was bound before termination, thus obviating the need for renegotiation between the derivative work owner and the reversionary owner of the source work. Such terms will be found in the grant of rights *to* the derivative work owner (the Fox licenses, JA 22-27),[5] not in earlier grants upstream in the chain of title which are unlikely to contain—and in this case do not contain—any language applicable to derivative work utilization. It beggars reason to suggest that, in this case, the original Snyder-Mills assignment controls the activity of the record companies; the grant whose terms self-evidently govern derivative work utilization is the Fox license which defines and limits the scope of permitted utilization ("to make and distribute phonorecords;" JA 23) and supplies the royalty rate, accounting requirements, and all the other detailed "terms" pertinent to exploitation of the sound recordings by the record companies. Mills' contrary conclusion that "record companies may continue to 'utilize' the sound recordings . . . under the terms of the grant from Snyder to Mills" (Pet. Br. at 20) gives an anomalous meaning to the word "terms" and would come as a considerable surprise to any record company that sought to

5 The Act considers "grant" to include "license." 17 U.S.C. § 304(c) ("grant of a transfer or license . . . is subject to termination. . . .").

discover in the terms of the original Snyder-Mills grant what it is authorized to do or the rate of mechanical royalty it is obligated to pay, how often, and to which collection agency.

Moreover, the record companies and all parties to this action (including Mills) have signaled their practical understanding of the word "terms" through their actions: the interpleader funds that are the object of this suit were generated by payments from the record companies to Fox that conformed in all respects to the "terms" of the second grant. *See, e.g.*, J.A. 9, 73. As Judge Oakes pointed out, Mills itself relies on the second grant as well as the first (Pet. App. 12a), because it is only the second grant whose terms require the record companies to pay royalties. Thus, while Mills purports to ridicule the suggestion that the exception deals with more than one "grant," this must be true whenever the derivative work utilizer is not the author's direct grantee. As both the Court of Appeals and the District Court held, and as we shall demonstrate below (*see pp.* 31-34 *in fra*), the exception was written for the simplest paradigm case where the grantee from the author is himself the derivative work utilizer rather than an intermediary; that is why the exception uses the single word "grant." Still, it is the utilizer and the terms of the grant to him that the exception on its face protects.

Obviously, the Snyders terminated the only grant the author ever made: the grant to Mills; but the question is the *effect* of termination on all of the sublicenses. Contrary to Mills' repeated assertions, termination of a grant affects not only the initial grant but any sublicense made by the grantee. For example, suppose an author grants to a publisher the right to exploit his copyright for 15 years. Could the publisher sublicense 20 years of rights? Of course not: the publisher cannot transfer more than he owns. *Gilliam* v. *American Broadcasting Cos., Inc.*, 538 F.2d 14, 21 (2d Cir. 1976) ("a grantor may not convey greater rights than it owns . . . ."); *see April Productions, Inc.* v. *G. Schirmer, Inc.*, 308 N.Y. 366, 126 N.E.2d 283 (1955) (former owner of copyright may not continue to collect royalties from his licensee after reversion of copyright); *Tams Witmark Music Library Inc.* v. *New Opera Co.*, 298 N.Y. 163, 81 N.E.2d 70 (1948); *Lewis Music Publishing Co.* v. *Shapiro, Bernstein & Co.*, 33 A.D.2d 679, 305 N.Y.S.2d 904, 905 (1st Dept. 1969), *aff'd*, 27 N.Y.2d 682, 314 N.Y.S.2d 5 (1970). In the event of termination, the author necessarily will terminate the only grant he made, to his direct grantee. Yet under the same principle, the author recovers "all rights" previously granted (§ 304(c)(6)), whether or not there has been sublicensing, because the publisher could not transfer more than he owned and all he owned was a copyright subject to termination.

Under the 1976 Act, the only "exception" is if any licensee has prepared a derivative work under authority of the grant *to him*, in which case he has done the act that creates a privilege from termination and he is permitted to continue using his own property under the terms of the grant *to him*. It is irrelevant how many intermediate grantees there may have been between him and the author: if as the statute demands "all" rights revert to the author, the rights of all grantees and the grants to them must fall except for the grant governing the derivative work utilizer. The entire string of grants is affected by termination, and there is no paradox in Snyder terminating the first link in the chain while the last link is protected from termination by the express language of the exception. For this system of rights and privileges to work there is no reason to create immunities from termination "upstream" of the derivative work utilizer in prior, intermediate grantees who, like Mills, have not done the act that creates the immunity.

C. Property rights accrue to the owner of the property: Mills' proposed extension of the statute would confiscate the author's income

1. *Mills is seeking a windfall that Congress specifically foreclosed*

When Mills purchased Ted Snyder's copyright interest at a bankruptcy sale in 1932 (JA 32) and when it purchased the renewal rights in 1940, both parties necessarily considered the respective transactions to encompass rights during consecutive 28-year periods, since the Copyright Act then provided for nothing more. The 1976 Act created a new 19-year term,

tacked on to the end of the traditional 56-year term, which has been aptly described by Congress as a "completely new property right." H.R.Rep. No. 1476 at 140. The question raised in this case is whether a principal element of this new right—the receipt of royalties from derivative works used during the 19-year period—accrues to authors and their heirs or to non-creative publishers such as Mills. The statute, its legislative history, and common sense demonstrate that Mill's interpretation of the exception vitiates the termination provision of the Act and would result in pure windfall.

Mills did not pay for the right to receive, nor did it have the expectation of receiving, any royalties in the 19-year extension of copyright created by § 304(b), which did not exist at the time Snyder sold his copyright to Mills. As a matter of elementary economics, in purchasing the renewal copyright the publisher bargained for an arrangement that would result in a profit to him by the end of the 28-year term. *See* S. Shemel & M. Krasilovsky, *This Business of Music* 238 (1971) (music industry formulas for computing present value of copyright based on remaining length of term). The level of investment, promotion, expense and effort it applied to the composition presumably reflected the expected level of profit during that period.

While the District Court's view of copyright policy was that the "sharing of returns provided to publishers by the Exception" encourages publisher "investment" in "bringing creative works to the public by the prospect of a profitable return" (Pet. App. 57a), it overlooked the fact that when termination occurred the publishers had already recovered all the profits for which they bargained. Moreover, whatever effort the publisher expended to sublicense the Song to derivative work owners had long been spent, and a favorable interpretation of the exception could not conceivably provide an incentive for further "investment." The Court of Appeals, by contrast, recognized that when the time for termination arrives, the music publisher has "already had the benefit of a renewal term" (Pet. App. 4a)—the only benefit it ever purchased.

Mills is seeking not just a windfall, but a free ride that Congress legislated explicitly to foreclose. As the Copyright

Office understood it, renewal under the 1909 Act had been intended "to protect the author and his family against his unprofitable or improvident disposition of the copyright" by giving them a chance to renegotiate the terms of a grant after 28 years. Copyright Law Revision, Part 1, at 53. That purpose was undone by the decision in *Fred Fisher Music Co.* v. *M. Witmark & Sons*, 318 U.S. 643 (1943), which upheld the validity of an assignment of renewal rights before the renewal term vested, so that in practice assignees could and usually did require an initial assignment of both terms, or 56 years of rights. Thus, the Copyright Office could say in 1961 that "this reversionary feature of the present renewal system has largely failed to accomplish its primary purpose;" and that the purpose of returning all rights to authors so that they could resell them on better terms "has been thwarted to a considerable extent." (Copyright Law Revision, Part 1, at 53; *see also*, Supplementary Report of the Register of Copyrights, Copyright Law Revision, Part 6, at 71).

Congress agreed. It enacted the new, longer unitary term of copyright and extended existing copyrights to 75 years because "[t]he present 56-year term is not long enough to insure an author and his dependents the fair economic benefits from his works. . . . [T]oo short a term harms the author without giving any substantial benefit to the public." H.R. Rep. No. 1476 at 134. It enacted the termination right in §§ 203 and 304 as a more effective replacement for "the reversionary provisions of the present section on copyright renewal." *Id.* at 124. Finally, to overrule the *Fred Fisher* decision, Congress made the termination right inalienable before vesting:

> Termination of the grant may be effected notwithstanding any agreement to the contrary . . . . (17 U.S.C. §§ 203(a)(5); 304(c)(5)).
>
> A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. (17 U.S.C. §§ 203(b)(4); 304(c)(6)(D)).

Congress knew that many music publishers had extracted assignments from composers transferring not only the renewal

term but any extension that might later be enacted by Congress. (*See, e.g.*, Copyright Law Revision, Part 1, at 58; *id.*, Part 4, at 39). Congress invalidated such clauses because it did not want grants whose terms were written decades ago to govern post-termination rights—but that is precisely what Mills seeks here (even though, ironically, there is no "extension" clause in the Snyder-Mills grant). Mills detours around the inalienability of the termination right by arguing that while the author is free to terminate, his act should be held meaningless because the terms of the grant to Mills, executed decades ago, must be preserved. Such a construction "is contrary to the congressional intent and leads to absurd conclusions;" it should, therefore, be rejected. *United States* v. *Bryan*, 339 U.S. 323, 338 (1950).

A major target of termination was the lump sum transfer (Copyright Law Revision, Part 1, at 58). Yet if Mills were correct, the terminator of a lump sum or other "unremunerative" transfer (*see* H.R.Rep. No. 1476 at 124) to a middleman like Mills would get nothing after termination, because the terms of that grant would be preserved; the 50% share that the Snyders would receive under Mills' interpretation results only from the fortuity of Mills' "bargain" with the Snyders. When the songwriter/publisher agreements now subject to termination were executed (in the 1920's and earlier), the typical writer's share on mechanical royalties was as little as 10%; the publisher kept the rest. When Billie Rose and Arthur Garfield Hays founded the Songwriters Protective Association ("SPA") (now the Songwriters Guild) in 1932, their inclusion of a 33-1/3% writer's share in the Songwriter's Basic Agreement was a major reform for songwriters. Klein, *Protective Societies for Authors and Creators*, reprinted in *1953 Copyright Problems Analyzed* 19, 33-38; E. M. Wickes, *The Song Writer's Guide* 86 (1931); Blaisdell, Study No. 5 at 47 (composers got "scant minimum royalties" under grants made before 1932). Only in 1939 did SPA achieve a 50-50 split. Klein, *supra*, at 36.

Thus, contrary to Mills' contention (Pet. Br. at 4, 31), the songwriter/publisher agreement in this case is not typical of those written in the 1930's and earlier, possibly because the original publisher here was partly owned by one of the songwriters, Ted Snyder (JA 32). It was a subsidiary of the National

Music Publishers' Association, namely The Harry Fox Agency, that as the interpleading plaintiff here selected the Ted Snyder song and its contract for this test case, and it is Mills Music, a member of NMPA, that now urges this Court to accept that contract as the norm.

2. *Mills' construction contradicts fundamental property right principles*

The construction Mills would place on the statute is preposterous when considered in light of accepted legal principles about property in general and copyrights in particular.

Suppose a landlord owns an office building, use of which it has leased to a tenant. The tenant is obliged to pay periodic rent to its landlord in accordance with the terms of the lease. If title to the real estate is transferred to another landlord, the new landlord steps into the shoes of the former owner. The tenant is privileged to remain on the property, and must continue to pay rent "under the terms of" the lease. But after the sale, the tenant pays it to the new owner of the property, even though its original contract was with the original landlord.[6]

Installment sales occur every day in which the merchant assigns the contract to a bank or other financier. After the assignment, it is the bank and not the merchant that has the right to receive the installment payments, while the purchaser continues to enjoy the use of the product so long as he makes his payments. Again, the right to receive income is an element of, and travels with, the underlying property right. *Restatement (Second) of Contracts*, § 317(1) and comment a, illustration 1 (1979).

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6 To bring the analogy even closer to the present case, if a rent control law provided that because of unusual conditions all existing leases are extended for a period of time and that tenants may for that period remain in their premises "under the terms" of their pre-existing lease, no one could conceivably argue that a selling landlord nonetheless retains the right to collect rent after sale on the ground that the lease extension provision, giving tenants the privilege of continued tenancy, "freezes" the identity of the recipient of the rental stream. Yet that is precisely what Mills argues in this case.

The same principle applies in the law of copyright. Mills is a music publisher, and was until termination the owner of a musical copyright by purchase from Snyder. Pursuant to a license from Mills, record companies made and sold phonorecords of sound recordings incorporating the song owned by Mills. The record companies paid mechanical royalties to Mills for each phonorecord sold. If Mills simply sold the copyright to another music publisher, the latter would step into the shoes of Mills and succeed to all the rights in the song copyright, including the right to receive all mechanical royalties generated thereafter by sales of the record. *See Jondora Music Publishing Co. v. Melody Recordings*, *supra*, 506 F.2d at 393 (assignee of copyright "stands in the shoes" of previous proprietor). This type of transaction—the assignment of a copyright or an entire catalog of copyrights—is easily as common in the music industry as are the first two hypotheticals in their respective fields.[7] The transfer of ownership of the underlying copyright does not affect the record company's right to continue utilizing the derivative work sound recording, but it does change the identity of the person to whom mechanical royalties must be paid.

The result would not differ if the transfer of copyright were by operation of law. There are certain circumstances in which the author can force a reversion of copyright from the publisher back to the author by suing to rescind his assignment.[8] Although here the transfer of the copyright from publisher to composer is under compulsion of law, the legal effect is the same as in the case of any other transfer. Indeed, performing rights societies such as BMI and ASCAP as a

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7 *See* S. Shemel & M. Krasilovsky, *This Business of Music* 130-31, 233 (1971).

8 Such grounds include failure of the publisher to comply with a material express term of the assignment such as the duty to account to the composer for a share of royalties, *e.g.*, *King v. Edward B. Marks Music Corp.*, 56 F. Supp. 446, 447 (S.D.N.Y. 1944), or breach of an implied duty to reasonably exploit the copyright. *See In re Waterson, Berlin & Snyder Co.*, 48 F.2d 704 (2d Cir. 1931). *See generally*, Shemel & Krasilovsky, *supra*, at 128-129.

matter of policy will hold up royalty payments when they are notified of a rescission claim, because they know that if rescission is effected royalties will be payable to the composer, not to the publisher.[9] In each instance, the privilege of record companies to continue "utilizing" derivative work sound recordings of the song is unaffected by a change of ownership in the song itself, but the right to receive royalties generated by sale of phonorecords follows the ownership of the underlying copyrights and, after rescission, reverts to the composer.

The operation of the termination provision of the 1976 Act, as construed by the Snyders and the Court of Appeals, is consistent with these familiar legal mechanisms and jurisprudence. Whenever the ownership of property changes hands—whether the property is real estate, automobiles, accounts receivable, or copyrights, and whether the transfer is voluntary or by operation of law—the income stream from exploitation of the property normally goes to the new owner. The only exception is where the new owner has agreed to let the former owner continue receiving income. That is precisely the sort of alienation by the author that the 1976 Act forbids, but which Mills' construction would reinstate.

In reaching its holding in favor of the music publishers, the District Court ignored or discarded rules that the law deems just and fair for all other types of property. The District Court said: "The fact is that there is no relationship between the record companies and the author; there is no grant directly between the author and the record companies . . . . [T]he author is not a party to these licenses . . . between Mills and the record companies." (Pet. App. 41a-42a). This is all true, and irrelevant. "An alienation or transfer or conveyance of 'title' is the substitution of a new party to some or all of the legal relations of which 'title' consists." 4 A. Corbin, *Contracts* § 861 at 422 (1951). Like the purchaser of real estate encumbered by a lease, the financier who is an assignee of a sales agreement, the voluntary assignee of copyright, and the author who recovers his copyright by recission, the Snyders succeed to the contractual rights of the previous owner of the property or

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9 Shemel & Krasilovsky, *supra*, at 129.

rights in question; the record companies are privileged to continue utilizing their derivative works under the same "terms" as before, but owe these obligations to a substituted party.

Second, the District Court reasoned that to sustain the Snyders' position it "would be required to rewrite the grant so as to disregard all the references to Mills and instead substitute in their place the author or his statutory successors." (Pet. App. 42a, *quoted in* Pet. Br. at 23 n.9). This, of course, is exactly what happens whenever property is transferred. If, for example, a bank sued a purchaser on an assigned installment contract, certainly in enforcing the contract the court would "disregard all the references" to the merchant and instead substitute in their place the bank that now owns the contractual rights.

The illogic of Mills' and the District Court's position is best seen by the end point of their analysis. The District Court concluded that allocating all post-termination royalties to the Snyders, now the owners of the copyright, "would nullify the grant from Ted Snyder to Mills." (Pet. App. 42a, *quoted in* Pet. Br. at 23 n.9). This is true: the nullification of assignments is precisely what the termination provision authorizes. While Mills understandably presses for return to the *status quo ante*, the Court of Appeals properly rejected an interpretation that would undermine the statute.

3. *Mills' construction creates a statutory inconsistency between the termination and compulsory license provisions*

Finally, the illogic of Mills' position is emphasized by the conflict it would create with the compulsory license provisions of the Copyright Act. The compulsory license mechanism is itself a form of "derivative works exception." 17 U.S.C. § 115 and its predecessor, 1909 Act § 1(e), allow record producers to make and sell derivative work sound recordings without consent from the owner of the music, provided that the statutory fee is paid. These royalties are *due to the owner of the copyright in the music* at the time each record is distributed, both under the 1909 Act § 1(e) ("payment to the copyright

proprietor") and § 115(c)(1) of the current Act ("copyright owner" is "entitled to receive royalties"):

> Congress determined that the copyright statutes should be amended to insure that *composers of original musical works* received adequate protection to encourage further artistic and creative effort. Henceforth, under § 1(e), records and piano rolls were to be considered as "copies" of the original composition they were capable of reproducing, and could not be manufactured unless payment was made *to the proprietor of the composition copyright.*

Goldstein v. *California*, 412 U.S. 546, 565-66 (1973) (emphasis in original). In fact, the 1976 Act makes special provision to insure that the *current* copyright owner is properly identified in Copyright Office records, even after a change in ownership, to facilitate royalty payments to the proper party. 17 U.S.C. § 115(c)(1).

There is no dispute that the Fox forms used in this case may alter some of the terms of the statutory license, for example, changing payments from a monthly (statutory) to quarterly (Fox) basis. In order to conclude that Mills was the intended recipient of the 19-year royalty stream, the District Court decided, on the basis of those variations, that the grants or sublicenses to the record companies were not compulsory licenses. Yet every court that has considered the relationship between the Fox and compulsory license has found these variations to be "insubstantial." *Shapiro, Bernstein & Co.* v. *Gabor*, 266 F. Supp. 613, 614 (S.D.N.Y. 1966); *Joy Music, Inc.* v. *Seeco Records, Inc.*, 166 F. Supp. 549, 550 (S.D.N.Y. 1958) (Weinfeld, J.). Moreover, the most recent Fox license in the record refers to itself as "this compulsory license." (JA 23). Under a compulsory license, unquestionably 100% of the mechanical royalties after termination would be payable to the Snyders pursuant to § 115, as the District Court apparently recognized (Pet. App. 37a). (Mr. Nimmer agrees. 3 Nimmer, *supra*, § 11.02[b] at 11-18.2 n.81.). The absurd result of Mills' analysis is that these "insubstantial variations" in contracts made years ago by parties other than the author work a vast reallocation in the stream of royalties: the author receives all

post-termination royalties if record companies use the compulsory license, but not if the record companies elect to obtain a Fox license. The better rule is to read the termination and compulsory license rules together as consistent in purpose, not to read the former in isolation so as to render the latter nugatory. *See, e.g., Richards* v. *United States*, 369 U.S. 1, 11 (1962).

II. The Legislative Purpose of the Exception—to Guarantee Public Access to Derivative Works After Termination of Underlying Rights—Does Not Require Extending it to Protect Terminated Grantees of Underlying Rights at the Expense of Authors

Unlike the Court of Appeals, the District Court made no effort to discern the purpose of the exception as an aid to interpreting its language. One may read Judge Weinfeld's 63-page opinion, comprehensive as that opinion may seem, and still not have the foggiest idea why the exception is in the statute. In fact, the exception has a specific and limited purpose. It guarantees public access to derivative works after termination, notwithstanding change of ownership of the underlying copyright; in other words, it permits the record companies to continue selling records even though all rights in the music have reverted from Mills to the Snyders. The exception achieves this result by overruling a specific doctrine that arose under the 1909 Copyright Act. The remainder of this brief addresses that piece of copyright history, the legislative response, and the acknowledgment by all interested parties that the exception's limited purpose did not confer post-termination rights on music publishers.

A. The problem under the 1909 Act: subordination of derivative works

Under the 1909 Act, copyright was divided into initial and renewal terms of 28 years each. 1909 Act § 24. Renewal was accorded to the author, or, if he predeceased the 28th year, to specified statutory successors. *Id.* While the author could alienate his copyright by assignment or license a right thereunder, such transfers would not of their own force continue into the renewal term. The renewal secured for the author or his statutory successor a "new estate" free and clear of prior grants. *E.g., Silverman* v. *Sunrise Pictures Corp.*, 273 F. 909 (2d Cir. 1921). Moreover, it was not settled until 1943 in *Fred Fisher Music Co.* v. *M. Witmark & Sons*, 318 U.S. 643 (1943), that an author could make an enforceable grant of renewal term rights before that term vested.

Despite *Fred Fisher*, in various circumstances a grantee's rights would not survive past renewal: for example, where the transfer from the author did not convey renewal rights, *e.g., Edward B. Marks Music Corp.* v. *C.K. Harris Music Publishing Co.*, 255 F.2d 518 (2d Cir.), *cert. denied*, 358 U.S. 381 (1958); where a court of equity voided the renewal assignment for inadequacy of consideration, *e.g., Rossiter v. Vogel*, 134 F.2d 908 (2d Cir. 1943); or, most importantly, where a transfer purported to convey renewal term rights but the author died before his renewal vested, in which case the renewal was exercisable only by the statutory successors so that the author's purported transfer of renewal rights would be a nullity. *Miller Music Corp.* v. *Charles N. Daniel, Inc.*, 362 U.S. 373 (1960).

When the first-term transferee did nothing more than publish the copyrighted work, reversion of rights to the renewal proprietor had a simple effect: the transferee would be obliged to cease publishing. But if the first term grantee had made a derivative work (known as a "new version" under the 1909 Act, §§ 1(b), 7), such as a motion picture, could he continue to utilize it after reversion of the underlying rights? Continued exploitation of the derivative work would arguably infringe the underlying copyright in renewal and, on this view, could be enjoined. However, under § 7 of the 1909 Act the derivative work was itself a "new work subject to copyright," so that by force of its own independent copyright it could, arguably, continue to be utilized.

In the face of these competing claims, courts split on the question whether the derivative work could continue to be utilized after lapse of the grant authorizing its creation. The first case to address the issue under the 1909 Act squarely supported continued utilization. *Edmonds* v. *Stern*, 248 F. 897

(2d Cir. 1918), held that when the assignee of a song copyright made a derivative work ope etta and orchestral medley incorporating the song he could continue to utilize—*i.e.*, perform or sell copies of—those derivative works, even after he had reassigned the underlying song copyright to the composer:

> The two things [the song and the orchestral score] were legally separate, and independent of each other; it makes no difference that such separate and independent existence might to a certain extent have grown out of plaintiff's consent to the incorporation of his melody in the orchestration. When that consent was given, a right of property sprang into existence, not at all affected by the conveyance of any other right.

248 F. at 898. Since a reversion of ownership upon renewal (under the 1909 Act) or upon termination (under the 1976 Act) is indistinguishable from the reassignment in *Edmonds*, there would have been no need for a derivative works exception had the authority of *Edmonds* remained unimpeached in succeeding years.

The landmark ruling by the Second Circuit in *G. Ricordi & Co.* v. *Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951) (the "Madame Butterfly case"), however, established a different view. Ricordi owned the copyright in Puccini's opera, a derivative work created in 1904 by license from the owners of a copyrighted novel and play. In later years, the play fell into the public domain but the novel's copyright was renewed and the renewal proprietor, Long, licensed motion picture rights in the story to Paramount. Ricordi, however, still held the copyright (now in renewal) in the Puccini opera, and sued Paramount for a declaration that it, Ricordi, was solely entitled to make a motion picture of the opera. Judge Swan's opinion held:

> A copyright renewal creates a new estate, and the few cases which have dealt with the subject assert that the new estate is clear of all rights, interests or licenses granted under the original copyright. . . . . [t]he plaintiff has acquired no rights under Long's renewal of the copyright on his novel and the plaintiff's renewal copyright of the

> opera gives it rights only in the new matter which it added to the novel and the play. It follows that the plaintiff is not entitled to make general use of the novel for a motion picture version of Long's copyrighted story; it must be restricted to what was copyrightable as new matter in its operatic version.

189 F.2d at 471 (footnotes omitted). Thus, when ownership of the underlying novel reverted to a renewal owner, who took it free and clear of prior licenses, grants of first term rights in that novel terminated. The derivative work opera could not thereafter be "utilized" by Ricordi to the extent of using it as the basis of a motion picture including the original story. Such utilization would infringe the right of the renewal owner in the novel to license movie rights to another.

The *Ricordi* decision did not in terms prohibit the continued "utilization" of the opera itself in the sense of continued performance of it. The only expressly proscribed activity was the making of a new or "second generation" derivative work (a motion picture) based on the opera, when the rights authorizing creation of the opera itself had expired. Thus, a narrow construction of *Ricordi* would have been that *a derivative work prepared under the authority of a grant before its termination may continue to be utilized under the terms of the grant after its termination,*[10] *but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.*[11]

However, a broader rule of law can also be extracted from the *Ricordi* decision: since the derivative work borrows material from the underlying work, *all* utilization of a derivative work prepared under the authority of a grant before its termination must cease upon termination of the grant.[12] Under

10 Essentially the holding of *Edmonds*, undiminished by *Ricordi*.

11 The precise holding in *Ricordi*.

12 Curtis, *Protecting Authors In Copyright Transfers: Revision Bill § 203 and the Alternatives*, 72 Col. L. Rev. 799, 808 n.50 (1972), states that this broader rule was the "clear implication" of *Ricordi*.

this rule, even performance of the derivative work must cease when the underlying rights revert to a new owner, because the chain of title conveying the underlying rights to the derivative work proprietor has been interrupted by the renewal.

This broader doctrine became the ascendant interpretation of *Ricordi* in the years immediately following the decision—years in which work commenced on the copyright law revision. In a widely-cited 1955 article, Seymour Bricker, an attorney for Universal Pictures, stated flatly:

> If a motion picture company buys from an author all rights in a novel, it may validly copyright the motion picture photoplay in its own name and renew that copyright at the appropriate time. But if the author dies prior to the time for renewal of the basic work, the widow may renew this copyright and thus deprive the company of any right to continue to release the photoplay during the renewal term of the basic work.

Bricker, *Renewal and Extension of Copyright*, 29 S. Cal. L. Rev. 23, 43 (1955). Bricker's article closed with a call for reform of the copyright law, *id.* at 45-46, and shortly thereafter the Copyright Office commenced its preparation of congressionally-mandated studies preparatory to revision of the copyright law.

Study No. 31, "Renewal of Copyright" by Barbara Ringer, addressed the *Ricordi* issue. Noting that the problem of derivative work utilization "has thoroughly confused the courts," she quoted the Bricker article as the authoritative view of "a leading expert," *id.* at 169, and adopted the broader interpretation of *Ricordi*:

> The holding [in *Ricordi*] was limited to motion picture rights, but the court's reasoning applies equally to public performances, sound recordings, or any other method of exploitation controlled by the copyright law. It would seem, on the basis of judicial authority, legislative history, and the opinions of the commentators, that someone cannot avoid his obligations to the owner of a renewal copyright merely because he created and copyrighted a "new version" under a license or assignment which terminated at the end of the first term.

In 1977—after the 1976 Act had been passed—the pendulum swung back again. The Second Circuit's decision in *Rohauer* v. *Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977), rejected the broader reading of *Ricordi*, and held that at least where the author purported to transfer derivative rights in the renewal term, the derivative work may continue to be utilized (*i.e.*, distributed or performed) despite a reversion of the renewal term to the author's statutory successor who was a stranger to the transfer. Relying on *Edmonds* v. *Stern*, and reasoning by analogy to the then enacted but not yet effective 1976 Act, Judge Friendly held that the 1909 Act should command the same result as the derivative works exception of the 1976 Act. However, *Rohauer* post-dated the initial drafting of the exception by some 14 years, and during the entire drafting process, Congress and the Copyright Office were working in the shadow of *Ricordi*: "[T]he prevailing view prior to *Rohauer* was that a derivative work could not be utilized in a renewal term where the author had died during the original term (whether or not the underlying grant showed an intention to include the renewal term). . . ." Melniker & Melniker, *Termination of Transfers and Licenses Under the New Copyright Law*, 22 N.Y.L. Sch. L. Rev. 589, 612 n.117 (1977). *See also* Stern, *Termination of Transfers and Licenses Under the New Copyright Act: Thorny Problems for the Copyright Bar*, 26 ASCAP Copyr. L. Sym. 1, 20 n.101 (1981).

The broader interpretation of *Ricordi* gave renewal proprietors of an underlying copyright a veto over continued utilization of derivative works created under a first-term grant. Under this rule, motion pictures and other derivative works might have to be withdrawn from the public upon reversion of the underlying rights to the author's successors. Before *Rohauer*, motion picture studios took out of circulation "any motion picture . . . where the records indicate[d] that a statutory successor or his assignee ha[d] renewed the copyright in the underlying work."[13] Among the derivative works

13 Amicus Curiae Brief of United Artists Corp. at 26-27, *Rohauer* v. *Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir. 1977), *quoted in* Note, *Derivative Copyright and the 1909 Act—New Clarity or Confusion?*, 44 Brooklyn L. Rev. 905, 928 n.125 (1979). *See also*, Nir z: *The Derivative Work Exception*

withheld for this reason were the motion pictures "Rear Window,"[14] "Thanks for the Memory," "You Can't Take It With You," "The Man Who Came To Dinner," and for a time, "Gone With the Wind."[15]

Not surprisingly, the perceived *Ricordi* doctrine of "derivative work subordination" was criticized by the industry and academics as an obstacle to public access to derivative works. Professor, now Judge, Kaplan wrote in 1967:

> The present statutory provision, as interpreted, is a goulash. Suppose the author in the first year of copyright purports to sell it—both the initial and renewal terms. The effect of the *Fred Fisher* case and other authorities is that if the author is dead when the twenty-eighth year comes round, the renewal reverts, free and clear, to his widow, children, and so forth in a fixed order of precedency; but if the author is alive in that year, the original sale holds and there is no reversion. The distinction is hard to defend and may operate in a peculiarly perverse way where on the faith of a transfer from the now deceased author, the transferee has created a "derivative work," say a movie based on the original novel.

B. Kaplan, *An Unhurried View of Copyright* 112 (1967) (footnote omitted).

B. The legislative response

The 1961 Report of the Register of Copyrights laid the groundwork for what was to become the 1976 Act. In this Report, the Office proposed continuation of the renewal system for subsisting copyrights but with a second term of 48 (instead of 28) years. The Office for the first time called for

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to the Termination Right: Inequitable Anomalies Under Copyright Law, 52 So. Cal. L. Rev. 635, 652 n.129 (1979) (reporting interview with motion picture company attorney to same effect).

14 Nevins, *Rx For Copyright Death*, 1978 Wash. U.L.Q. 601, 602.

15 Jassi, *When Works Collide: Derivative Motion Pictures, Underlying Rights, and the Public Interest*, 28 U.C.L.A. L.Rev. 715, 740 (1981).

termination of transfers at the commencement of the 20-year extension where the transfer had been for a lump sum (Copyright Law Revision, Part 1, at 57-58). For new copyrights, termination of lump sum transfers after 20 years was suggested (*id.* at 93-94). There was no derivative works exception.

It was immediately recognized that the law then applicable to reversion of copyrights at renewal would likely apply to the new termination mechanism.[16] Since in both cases a change in ownership of an underlying copyright would be effected, the *Ricordi* rule would work to the detriment of derivative work owners after termination just as it appeared then to do after renewal. In its comment on the Register's Report, The Motion Picture Association of America ("MPAA") criticized the termination proposal on the ground that it would require motion picture studios to take movies out of circulation when the rights in the source work were terminated. Copyright Law Revision, Part 2, at 361. Seymour Bricker—the same writer whose seminal article was quoted in Study No. 31 on copyright renewal—raised the same concerns and proposed, in embryonic form, a derivative works exception:

> The effect of the recommendation is to prevent the motion picture producer from exploiting a completed picture after the 20-year period. I would favor a provision which returned to the author, after 20 years in connection with lump-sum sales, the rights transferred to the motion picture producer, *provided that the motion picture producer could continue exploiting any motion pictures made during the 20-year period.*

Id. at 265 (emphasis supplied). Bricker's comment sought to protect the exploitation rights of producers who "made" a derivative work, not the rights of previous assignees of the "basic material." (*id.* at 265). As with the MPAA comment, Bricker's stated purpose was to keep derivative works in circulation.

The Copyright Office responded to the MPAA and Bricker comments. The 1963 Preliminary Draft (reprinted in Copyright

16 *See* S. Rep. No. 473 at 108 (termination provision designed to replace renewal-reversion mechanism in 1909 Act).

Law Revision, Part 3) scuttled the renewal mechanism entirely and offered in its stead the unitary term of life plus 50 years that was ultimately enacted for new copyrights (*id.* at pages 18-19, § 20, Alt. B), as well as an extension of existing copyrights to 75 years (*id.* at pages 20-21, § 22(b)). For both new and existing copyrights, a derivative works exception was inserted (*id.* at 15, § 16 Alt.A; *id.* at 20, § 22(c) (3)).

As in *Dawson Chemical Co.* v. *Rohm & Haas Co.*, 448 U.S. 176, 200 (1980), the language of the exception should be "[v]iewed against the backdrop of judicial precedent" it supplanted to ascertain its purpose and scope. The genesis of the exception shows that its intent was to do no more than overrule the broader reading of *Ricordi*, which barred continued dissemination of derivative works already in existence at the time of termination. The exception clarified that termination of a contract whose terms authorized creation of a derivative work only prohibits the making of "second generation" or "new" derivative works after termination, but protects the right of the owner of such a work in existence (an "old derivative work") to continue utilizing it. It enacted the "narrow" interpretation of *Ricordi* (*supra, p.* 23). In sum, as the Court of Appeals in this case understood, its purpose was simply to remove the author's "veto power" against continued public access to derivative works after reversion of the underlying rights. (Pet.App. 23a). While Mills views the exception as merely a congressional exercise in income allocation, in fact its purpose is consistent with traditional copyright principles, for it is well established that the ultimate purpose of copyright is to maximize public circulation of creative works. *Sony Corp.* v. *Universal City Studios, Inc.*, __ U.S. __, __, 104 S.Ct. 774, 783 (1984); *Twentieth Century Music Corp.* v. *Aiken*, 422 U.S. 151, 156 (1975); *Fox Film Corp.* v. *Doyal*, 286 U.S. 123, 127 (1932).

Whether the exception be deemed a change in prior law or merely a correction of misinterpretations of prior law, its words "came into the statute . . . freighted with the meaning imparted to them by the mischief to be remedied." *Duparquet Huot & Moneuse Co.* v. *Evans*, 297 U.S. 216, 220-21 (1936). The mischief was the withholding from public circulation of

derivative works in existence, due to the claims of reversionary proprietors of the underlying copyrights in renewal. The remedy afforded was a readjustment (or clarification) of the rights of the derivative work proprietors (who in "utilizing" these works keep them in public circulation) vis-a-vis the reversionary owners. The grant preserved was the license to the derivative utilizer, so that he may "continue" to utilize his property. The terms of that grant govern such utilization and their preservation insures that the derivative work owner neither gains nor loses contractual rights after termination. The exceptions "are based on sound policy and draw a precise line between the legitimate economic expectations of the source work author and the need to keep worthwhile derivative works from being senselessly lost to the American people." Nevins, *The Doctrine of Copyright Ambush*, 25 St.Louis U.L.J. 58, 65 (1981).

But, unless the original grantee happens to be himself the derivative work owner, the exceptions do *not* confer rights on the terminated assignee of the underlying work. His role is irrelevant to public access to the derivative work, because he does not and cannot utilize it or control its dissemination. The debate concerned the rights of reversionary owners of the source work vis-a-vis users of derivative works, and it was this relationship alone that the exception settled. It is the derivative work proprietor's right to continued utilization in fact, not the publisher's desire to participate in the profits, that Congress sought to protect.[17] Once "the identity of the class for whose benefit the [exception] was enacted" is thus ascertained, its intended meaning and scope become crystal clear. *Texas Industries, Inc.* v. *Radcliff Materials, Inc.*, 451 U.S. 630, 639 (1981); *Cort* v. *Ash*, 422 U.S. 66, 78 (1975).

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17 Curtis, *Caveat Emptor In Copyright: A Practical Guide to the Termination of Transfers Provisions of the New Copyright Code*, 25 Bull. Copyright Soc. 19, 60 (Oct. 1977), addresses the precise issue before this Court and concludes that the music publisher's share is terminated because the exception "is merely intended to protect the derivative user from the author's veto over continued use of the derivative work, not a middleman's passive interest in a share of the proceeds."

Mills now seems to recognize that Congress "intended" only to protect the "owner of a copyright in a derivative work" (Pet. Br. at 22), but it struggles mightily to show that Congress could only confer such protection "through Mills and the rights the Exception preserves in Mills. . . ." (*Id.* at 18). The District Court was of the same view (Pet. App. 40a & n.39, citing *Ricordi*). This argument that rights of all grantees in the "chain of title" must be preserved to allow derivative work utilization to continue (Pet. Br. at 22, *quoting* 3 Nimmer, *supra*, at p. 11-18.2), however, derives from the pre-1976 understanding that the exception overruled. As the legislative background makes clear, the privilege of derivative work utilization was conferred *because of* the break in the chain of title created by termination of the underlying rights and now exists *notwithstanding* the lapse of rights. *Ricordi* was premised on the view that the derivative work could only be utilized while the chain of rights from the source copyright remained intact; by selecting the word "privilege" for the derivative user while returning all "rights" to the author, Congress made clear it was not reenacting that old doctrine.[18]

As a corollary to the purpose of guaranteeing public access to derivative works, the exception recognizes the creativity of the derivative work author.[19] Commentators consistently asked

18 Mills evokes the chain-of-title theory by quotation from Mr. Nimmer's treatise. The quoted language (Pet. Br. at 18) first appeared in the partisan amicus brief written by Mr. Nimmer as counsel for Sidley & Austin, representing the NMPA, and filed in this case in the Court of Appeals, only to reappear later, virtually verbatim, in his treatise. In an adjacent portion of the amicus brief, not included in the treatise, Mr. Nimmer predicated his chain-of-title argument on *Russell* v. *Price*, 612 F.2d 1123 (9th Cir. 1979), *cert. denied*, 446 U.S. 952 (1980), and *Filmvideo Releasing Corp.* v. *Hastings*, 668 F.2d 91 (2d Cir. 1981). Those are cases decided under the 1909 Act (see *Russell*, 612 F.2d at 1127 n.4) that, drawing heavily and explicitly on *Ricordi*, hold that derivative work utilization must cease upon lapse of the rights in the underlying work. But, as the Ninth Circuit recognized, the derivative works exception of the 1976 Act stands "in contrast" to its analysis and result under the 1909 Act. 612 F.2d at 1127 n.4.

19 A derivative work author, having created his work, may of course transfer ownership of that work—including the privilege conferred by the exception—to another who may then utilize it because he takes his rights

the Copyright Office to soften the termination mechanism so as to recognize the creative contributions of derivative works authors. *See*, Copyright Law Revision, Part 2, at 105 (remarks of Joseph Dubin, representing Universal Pictures Co., and ABA Committee on Program for Revision of the Copyright Law); *id.* at 279 (written comments of Mr. Dubin); Copyright Law Revision, Part 3, at 298 (remarks of Thomas J. Robinson, representing the MPAA). When Judge Friendly looked at the exception in *Rohauer*, he recognized in its language the reward conferred on derivative work authors based on their separate artistic and economic contributions in creating "independently copyrightable" works. 551 F.2d at 493 (discussed by the Court of Appeals below at Pet. App. 20a).[20] Thus both termination and the exception confer benefits on authors, "the fundamental beneficiary of copyright under the Constitution. . . ." H.R. Rep. No. 1476 at 140. The termination right was undoubtedly for the benefit of the source work author, while derivative work authors, not publishers, were the intended beneficiaries of the exception. The music publishers' attempt to insinuate their interests into the operation of the exception has no support.

C. The derivative works exception was written in contemplation of a single grant to the derivative work utilizer

Mills' principal argument is that the word "grant" must refer to the same grant wherever it is used. We have already shown, however, that termination must reach sub-grants as well as the initial grant, so that Mills' argument is on its face

from (and presumably has paid) the derivative work author. This hardly constitutes a "blurring of roles" or "flaw" in the Court of Appeals' analysis (Pet. Br. at 41 n.22). There is always an easily identifiable person who, by authorship or purchase, owns the derivative work and the right to utilize it.

20 *Rohauer* was an effort to implant the doctrine of derivative work independence in the 1909 Act, by analogy to the then-enacted but not yet effective derivative works exception of the 1976 Act. It is Judge Friendly's interpretation of the 1909 Act, not the 1976 Act, that has been criticized as being inconsistent with the *Ricordi* doctrine. *See* 1 Nimmer, *supra*, § 307[A]. Thus, as the Court of Appeals below stated, *Rohauer* has been "criticized in other respects"—but not in construing the exception in the 1976 Act to protect owners of derivative works.

incorrect. Moreover, every piece of evidence relevant to elucidation of the exception shows that its drafters assumed that the "grantee" would be the same person who has "prepared" and would "utilize" the derivative work—in other words, a single grant instead of a multiple grant situation. The fact that this case presents multiple grants between source work author and derivative work owner does not make the intermediary—Mills—a beneficiary of the exception. The exception was clearly written to protect the "grantee who has made a derivative work":

— Seymour Bricker, in criticizing the old law, assumed that the grantee and the derivative work creator were one and the same. Bricker, *supra*, 29 S. Cal. L. Rev. at 43 ("If a motion picture company buys from an author all rights in a novel. . . .").

— In criticizing the 1961 proposal for reversion without a derivative works exception, the MPAA assumed a direct purchase of motion picture rights in a "deal with the author":

> Suppose a case in which a *motion picture company bought the rights in a short story* in the 20th year of its renewal term for a very generous lump-sum consideration. It takes (let us say) 5 years thereafter before the picture is released. Three years after the picture hits the market, then, we must, under the Register's proposal, renegotiate *our deal with the author*. If the terms he then demands of us are unreasonable, or he or his heirs are unavailable, what is our remedy? Either we must accede to his unjust terms, or we must take our picture out of circulation for the 20 years of his extended copyright, as proposed by the Register.

Copyright Law Revision, Part 2, at 361 (emphasis added).

— Seymour Bricker, in proposing the exception, presupposed a direct grant from "authors. . . to motion picture producers." (*Id.* at 264).

— In the same report that announced the compromise and end of the termination controversy, the House Judiciary Committee assumed the exception meant that "any grantee who has made a derivative work *under his grant* could continue to use it even after termination." H.R. Rep. No. 83 at 9 (emphasis added).

— The Copyright Office that drafted the exception assumed that it operated on a direct grant from source work owner to derivative work creator: "if a novelist transferred to a film company the exclusive rights to make, distribute, and perform a motion picture version of his novel. . . ." (Copyright Law Revision, Part 6, at 76).

— The "authoritative" House and Senate Reports selectively quoted by Mills (Pet. Br. at 26), use as examples in the very next sentence the direct grant paradigm taken from the Supplementary Report. (H.R. Rep. No. 1476 at 127; S.Rep. No. 473 at 111). It obviously does not help Mills to quote congressional reports stating that derivative work utilization would be "under the conditions of the terminated grant" (Pet. Br. at 26) since the reports could only have been talking about the grant to the derivative work utilizer, the only one present in a direct grant situation.

— Of the passages from hearings cited by Mills as proof that Congress "considered" the termination provisions (Pet. Br. at 35), the only two that discuss the exception assume that a single grant to a derivative work user is at issue. (Hearings on H.R. 4347 at 93, referring to "*the* assignment;" *id.* at 233, opining that "*the* grantee can continue to use derivative works thereafter.") (emphasis added).

— The standard entertainment industry legal form book, erroneously cited by Mills (Pet. Br. at 32) for the proposition that grants in the motion picture industry typically are not direct grants, in fact shows at the cited pages a direct grant of motion picture rights from author to producer (2 Lindey, *Entertainment, Publishing and the Arts*, 802-03, Form 5:A-1.01 ¶ 1(a) and (h) (2d ed. 1983); *id.* at 860).

— Neither *Ricordi* nor *Rohauer* involved derivative work creation by a sublicensee and payment of royalties back to an assignee of the underlying copyright; the *Witmark* case, holding that the renewal assignment was valid, had no occasion to

consider a change in the royalty stream. *Rohauer,* in particular, concerned a direct grant from author Hall to producer Moskowitz. 551 F.2d at 486. In this context, Judge Friendly correctly construed the exception as extending the rights of "assignees," since the assignee there was the derivative work creator.

It is apparent that the Copyright Office wrote the exception with the paradigm single-grant situation in mind, undoubtedly because it was proposed by the motion picture industry where direct grants are, as noted above, the norm. We are left with the conclusion of the Court of Appeals: "Congress did not specifically address the situation where the grantee from the author has himself subleased or subgranted or licensed use of the copyright. Nothing in the legislative history suggests that Congress did address it; everything suggests that it did not, including especially the language of the Exception." (Pet. App. 15a-16a).

In such a situation, it is neither unusual nor inappropriate to look to legislative purpose and policy to discern the intended scope and effect of the enactment. *Blue Chip Stamps* v. *Manor Drug Stores,* 421 U.S. 723, 737 (1975) (Securities Exchange Act); *United States* v. *Donruss Co.,* 393 U.S. 297, 303 (1969) (Internal Revenue Code); *Richards* v. *United States,* 369 U.S. 1, 10 (1962) (Federal Tort Claims Act); *Brooklyn Savings Bank* v. *O'Neil,* 324 U.S. 697, 705-06 (1945) (Fair Labor Standards Act). We have already shown that the exception's purpose was to protect derivative work utilizers by amending prior law. That purpose had no reference to protecting music publishers after termination, and there is abundant evidence that music publishers as well as composers understood that fact, acknowledged it to the Copyright Office, and that the Office and all concerned acted in accordance with that construction of the exception during the revision process.

D. All parties involved in the drafting process recognized that the music publisher's share was cut off by termination and not protected by the exception

The derivative works exception first appeared, in language substantially the same as that enacted, in the 1963 Preliminary Draft. Congress had delegated the task of drafting a new

copyright act to the Copyright Office (*see* H.R. Rep. No. 1476 at 47), and all of the revision reports and drafts in the relevant 1961-65 time period emanated from that Office.

Following publication of the 1961 Preliminary Report, the 1963 draft, and the 1964 draft, the Copyright Office held panel discussions with industry representatives in which the members of the Office explained the provisions they had drafted and spokesmen for the interest groups responded with their views and objections. This process was fully explained to Congress. *See* Hearings on S. 1006 at 64 (Statement of Abraham Kaminstein, Register of Copyrights). The successive reports, drafts and comments were issued as Committee Prints of the House Judiciary Committee (Copyright Law Revision, Parts 1-6) and, of course, the Copyright Office as a part of the Library of Congress is itself an organ of the legislative branch. As the Court of Appeals recognized, it is the Copyright Office proceedings, particularly those in the 1961-1965 gestation of the termination sections, that provide the principal source materials showing how the exception came about and what contemporaries thought was being enacted. (Pet. App. 7a). The Copyright Office during this time period made "a painstaking effort to resolve as many disputes as possible before a bill reached the stage of congressional hearings" (Hearings on S. 1006 at 66; Statement of Mr. Kaminstein), and members of Congress relied on the Office's expertise (*id.* at 73).

The original termination clause proposed by the Office would have limited its availability to lump sum transfers (Copyright Law Revision, Part 1, at 57-58, 92-93). Authors groups responded by strongly arguing in favor of termination of all grants, including those providing for an author's participation in royalties, as in this case. *See* Copyright Law Revision, Part 2, at 238, 248, 254, 258, 277, 324, 374, 413-15. This argument was accepted by the Office, and a termination right not limited to lump-sum grants appeared as § 16, Alternative A, of the 1963 Preliminary Draft, the model for all later versions of the termination provision. Years later, Congress agreed that termination of all grants "is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited." H.R. Rep. No. 1476 at 124.

The first explication of the exception (then § 16(b) of the 1963 Preliminary Draft and the predecessor of § 203 of the 1976 Act) is found in Copyright Law Revision, Part 3, at 277-78. Assistant Register Barbara Ringer first summarized the arguments against the termination provision, and then introduced the exception:

> [W]e have done two things in an effort to answer at least some of the users' arguments. First (and this may seem pretty small potatoes), we lengthened the 20 year period [before termination] to 25 years. Second, we added a provision, which I think is probably quite important here, *that would permit the owner of a derivative work, such as a motion picture, to continue using it.*

Id. at 278 (emphasis added). While the Office recognized the objections of two classes of "users"—publishers who generally exploit the underlying work and derivative work creators such as motion picture producers (*see id.* at 277) — it responded with one provision (lengthening the term before termination) that was applicable to both and another (the exception) that was expressly directed to "owners" of derivative works, such as motion picture producers.

A later panel discussion turned to § 22(c) of the Preliminary Draft, the termination provision respecting subsisting copyrights that developed into § 304(d) of the Act. Again, Ms. Ringer described the derivative works exception (§ 22(c)(3)) as protecting the "owner" of a derivative work:

> [A]s provided in section 16, distributed earlier, section 22(c) would preserve the right of the *owner* of a derivative work to exploit it, *notwithstanding* the reversion.

Copyright Law Revision, Part 4, at 39 (emphasis added).[21]

Mills argues that such descriptions of the person intended to be benefited—"the owner of a derivative work"—are irrelevant

21 Years later, Congress and the Copyright Office agreed that the exception protected "grantees who have made derivative works" (H.R.Rep. No. 83 at 9; Draft Second Supplementary Report, Part 3, at 5), thus emphasizing that the exception protects owners of derivative works, who "utilize" them, and that the grant the drafters had in mind was that to the utilizer.

because they offer no clue as to the intended effect on middlemen. The Court of Appeals gave the complete answer to that bit of hindsight:

> Yet the fact that Congress considered an exception to a rule solely in terms of one group of people—creators of derivative works—is certainly significant when a member of a different class—a former holder of the underlying copyright—seeks to place himself within the exception. (Pet. App. 19a)[22]

In this case, there is especially firm ground for avoiding a construction to benefit music publishers. When the exception first appeared in the 1963 Preliminary Draft Bill in response to the pleadings of the motion picture industry, the reaction of the music publishers was immediate and emphatic. In several statements to the Copyright Office, at precisely the time and in precisely the forum in which the contents of the draft bill could be directly influenced by interest groups,[23] the publishers categorically asserted that the exception did not benefit them. The

22 "Where there is doubt about how inclusively a statute should be construed to apply, if the mischief that it was enacted to remedy can be perceived it will be construed to apply only so far as is needed in order to effectuate the remedy." 2A Sands, *Sutherland Statutory Construction* § 54.04 at 358 (4th ed. 1973). This rule of construction is especially applicable to this case because Mills is claiming rights under a statutory *exception*. Exceptions to remedial legislation "should be narrowed and limited to effect the remedy intended." *Piedmont & N. R. Co.* v. *ICC*, 286 U.S. 299, 311-12 (1932). This rule has, moreover, been applied with consistency in copyright cases to strictly limit exceptions to the rights of the author. *Edward B. Marks Music Corp.* v. *Colorado Magnetics, Inc.*, 497 F.2d 285, 288 (10th Cir. 1974), *cert. denied*, 419 U.S. 1120 (1975) (statutory exception to music composer's rights should be narrowly construed so that it "does not devour the general policy" of copyright law to grant exclusive rights to authors); *Shilkret* v. *Musicraft Records, Inc.*, 131 F.2d 929 (2d Cir. 1942), *cert. denied*, 319 U.S. 742 (1943) (same).

23 The Copyright Office repeatedly stated that its numerous rewrites of the revision bill were in response to the various industry comments made to it and to accomodate the diverse interests affected by the Act. *E.g.*, Copyright Law Revision, Part 3, at 278; *id.* Part 4, at 2-3; *id.* Part 6, at 53-54, 60, 72, 73.

two music publisher spokesmen present (Julian Abeles for the Music Publishers Protective Association, now the NMPA, and Phillip Wattenberg, for the Music Publishers Association of the United States) construed the exception as follows (the relevant comments in their context are fully reproduced in the addendum to this brief and excerpted here):

1. Speaking directly to the derivative works exception, which Ms. Ringer had just explained as protecting the "owner" of a derivative work, and responding to the Register of Copyrights' request for "further suggestions" as to the draft, Mr. Abeles argued:

> After a thorough consideration, the Register had recommended that if the assignee was obligated to continue paying royalties or a part of his revenue, the assignment should remain in effect. *Now all rights would terminate after 25 years.* Why this radical revision? Under the present act, the assignee can initially acquire the rights for the full term of copyright and renewal.
>
> • • •
>
> Again, I ask, [illegible]al curtailment of existing rights, *instead of participation in the extension of such rights?* (Copyright Law Revision, Part 3, at 283; emphasis added).

2. Mr. Wattenberg then stated:

> Under present law the publisher retains rights for 28 years, and is permitted to acquire rights for the renewal of 28 years. Alternative *A* would reduce the publisher's right to a 25-year period, and it would prohibit prior acquisition beyond 25 years. The fruits of the publisher's successful exploitation during the 25-year period will belong to others—indeed to all others, because *the licensee of the publisher retains his rights under subsection (b) of Alternative A [the derivative works exception], with the royalties resulting from the license presumably reverting entirely to the author, etc., under subsection (a).*
>
> Thus, the author or his representatives receives benefits, and licensees of the publisher remain untouched, while

> the publisher alone is penalized. (*Id.* at 284-85, emphasis added).

3. Irwin Karp and Leon Kellman, speaking for authors' groups, then endorsed the termination clause including the exception (Copyright Law Revision, Part 3, at 293-96). Mr. Wattenberg responded:

> Now, fifty percent is usually considered a reasonable return, and what this would do would give the writer the opportunity to recover one hundred percent. If he had reversion, the rights would then give him 100% on income, and naturally it would be good for the writers. (*Id.* at 296-97).

4. In a written submission dated September 24, 1963, Mr. Abeles recounted at length the development of the termination provision, including the authors' and publishers' arguments, and again attacked the derivative works exception because it cut off the music publisher from all income after termination:

> What has really given the publishers the most concern is § 16(a) of Alternative *A*, of the preliminary draft of June 4, 1963. They just cannot comprehend the provision curtailing their rights to a period "for no more than twenty-five years," notwithstanding any agreement to the contrary.
>
> • • •
>
> Yes, there is an exception to the twenty-five year limitation, whereby 'a derivative work prepared under the authority of a terminated transfer may, despite the reversion of rights, continue to be utilized under the terms of the transfer.' This would be for the benefit of everyone acquiring rights under a copyright other than the publisher . . . . . (Copyright Law Revision, Part 3, at 318-319).

5. When discussion turned to the parallel derivative works exception for subsisting copyrights (§ 22(c) of the Preliminary Draft and now § 304(c)(4) of the 1976 Act), the publishers reiterated their opposition. Mr. Wattenberg noted several as-

signments from music composers for substantial sums, and said:

> If section 22(c) is enacted in its present form, the parties contracting with the publishers will have the right to terminate the contracts I have just referred to at the end of 56 years from the date of copyright. This would deprive the publishers of rights for which they have paid substantial sums of money. There is no justification for arbitrarily cancelling perfectly legal contracts for which valuable consideration has been paid. (Copyright Law Revision, Part 4, at 40).

6. Over a year later, addressing the 1964 Revision bill in which no changes had been made to the music publishers' satisfaction, Mr. Abeles again cited "section 16." containing the derivative works exception, and asked:

> Why then should the term be extended for the benefit of the author and yet curtailed to the detriment of the material interests of the copyright proprietor? (Copyright Law Revision, Part 5, at 222).

These comments must be considered in the context of the then-operative law whose workings the publishers clearly understood. Termination was to be a substitute for renewal under the 1909 Act, and under the renewal system publishers could obtain post-renewal rights during the first term and thus, under the *Witmark* decision, extend their income stream to 56 years at least if the author survived into the renewal term. They recognized that the inalienable right of termination would cut off their income, and that *despite* the exception, they were better off under the old law with respect to the reversion issue.

Equally significant is the fact that all other parties agreed. Every commentator who addressed the issue recognized that the exception benefited "owners" of derivative works, but cut off the contractual rights of publishers of the underlying material.[24]

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24 *See* Copyright Revision, Part 4, at 41 (proposal to amend exception so that "the rights acquired by a purchaser will continue for the full duration of the copyright granted by that section."); *id.* at 43-44 (exception protects "creator" of derivative work); *id.* at 275 (boc): publishers argue that "copyright should enure to the benefit of publishers as well as authors"); Copyright Law Revision Part 5, at 178 (proposal, with exception already in statute, that it be amended to provide "for a continuation of contractual rights" after termination); *id.* at 161, 162 (pro and con spokesmen agree that termination continues present law of renewal in that author recovers all rights after a term of years); *id.* at 176 (proposal to amend bill so that "transfers would not be affected by renewal"); Memorandum of MPAA, Hearings on H.R. 4347 at 997 (exception privileges "owner" of derivative work).

Moreover, late in the revision process, the Copyright Office adopted a proposal whose explicit purpose was to make it impossible for music publishers to receive any income after termination from pre-termination recordings. In a lengthy written comment on the 1964 revision bill, the Authors League stated:

> As written, Section 16 would not allow an author to terminate transfers of nonexclusive rights. This would permit publishers and other users to vitiate the protection of the Section—by requiring an author to simultaneously grant an exclusive license or assignment of certain rights for 35 years and a nonexclusive (and presumably non-terminable) transfer of the same rights for the duration of the copyright term. . . . *Even if a composer terminated a transfer of his copyright to a publisher, the latter could still share in his recording and performance income—if the publisher had demanded (as he could under [section] 16) a nonexclusive perpetual license of these rights, as well as an exclusive assignment of the copyright.* (Copyright Law Revision, Part 5, at 241; emphasis supplied).

A separate comment by Mr. Nimmer saw the same loophole and proposed the same solution. (*Id.* at 318). Neither comment considered relevant the derivative works exception, which was then part of § 16.

The Copyright Office adopted, and Congress enacted, the Authors League proposal. In the 1965 Bill, termination was made applicable to an "exclusive or nonexclusive grant of a transfer or license. . . ." (1965 Revision Bill §§ 203(a), 304(c), reprinted in Copyright Law Revision, Part 6, at 224, 242). The

Supplementary Report of the Copyright Office made clear that the amendment was in response to the Authors League and Nimmer comments (Copyright Law Revision, Part 6, at 73). Sections 203 and 304 were enacted with these amendments, whose origin was an explicit proposal to prevent music publishers from continuing to "share in [a composer's] recording and performance income" after termination.

E. The publishers won other concessions to ameliorate the effects of termination

The music publishers and other assignees who (like Mills) are not derivative work utilizers were vocal in opposing the proposed termination right and seeking to limit its effect. When their submissions failed to convince the Copyright Office to rewrite the derivative works exception to protect them, their attack focussed on other issues, and their interests were ultimately accomodated not by the exception but by other means.

When the First Preliminary Draft (Copyright Law Revision, Part 3) appeared in 1963 containing the derivative works exception, the publishers renewed their attack on the permissible duration of assignments before termination, which had now been extended from 20 to 25 years (Preliminary Draft § 16 Alt. A). Publisher spokesmen argued that 25 years was too short a time to permit remunerative exploitation by assignees. *E.g.*, Copyright Law Revision, Part 3, at 291, 341.

In response to the publisher objections, the Copyright Office again extended the permissible term of assignments to 35 years in § 16 of the 1964 Revision Bill (Copyright Law Revision, Part 5 at 10). Predictably, authors' representatives were heard to claim that 35 years was too long, *id.* at 156, while publishers continued to press for an even longer term, *id.* at 225. The Copyright Office decided upon the 35 year term, however, as a "compromise," since it was "long enough to avoid unfairness to publishers" (Copyright Law Revision, Part 6, at 75 (Supplementary Register's Report)).

Several other concessions to publishers were made. The 1964 Bill, § 16(b)(2)(B), inserted a right of first negotiation between author and assignee for post-termination rights, *see* Copyright Law Revision, Part 5, at 153-54,[25] and the 1965 Revision Bill extended the transfer to 40 years where publication occurs more than five years after the transfer of rights. 1965 Revision Bill § 203(a)(2); *see* Copyright Law Revision, Part 6, at 74 (Supplementary Register's Report). And finally, the original scheme of automatic termination was amended to require an affirmative act by the author. *Compare* 1963 Preliminary Draft § 16 Alt. A, *with* 1964 Revision Bill § 16.

The result of this ongoing back-and-forth between authors and publishers was a compromise in which the publishers achieved recognition of their interests and important concessions not present in the initial proposals. Different kinds of accomodations were reached with different classes of transferees affected by termination. The interests of assignees not protected by the exception were acknowledged and protected by other devices.

Ignoring such other concessions, the District Court focussed on statements suggesting that authors "share" the benefits of the extended term of copyright (Pet. App. 48a), that the "interests of their assignees must also be considered" and similar statements (*id.* 52a-53a) as necessarily referring to and supporting its construction of the exception. Thus (forgetting that the exception also operates on lump sum transfers), the District Court concluded that in this case legislative wishes would be fulfilled because, under its holding, the Snyders will continue to receive from Mills 50% of the mechanical royalties. Mills makes the same mistake (Pet. Br. at 44-45).

None of the references in the legislative history suggests that the "sharing" implies splitting up the royalties generated by use of a copyright. Indeed, these references never state who was to share what with whom. They convey no more than the conceded fact that even after termination, the author does not in all cases have unencumbered use of his copyright, just as a new landlord may be stuck with an old tenant. If a novelist transferred motion picture rights to a movie studio for a lump sum, the studio may continue to utilize the film after termina-

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25 The Copyright Office identified this as a particularly significant concession to publishers, since it came over the objections of the Justice Department (Draft Second Supplementary Report, Part 3, at 11-13).

tion without additional payment to the novelist, and only the remake rights revert to the author.[26] Such a result "shares" the benefits of the extension and "considers" assignees' interests, and is just as consistent with these broad brush expressions of legislative intent on which the District Court so heavily relied as was that Court's contrary construction. As the Court of Appeals stated, "The Snyders concede that they in a sense lose some of their copyright rights as a result of the Exception. The question posed is to whom do they give up these rights—to the record companies alone or to the record companies and the middleman Mills? (Pet. App. 14a n.10). The answer is plain: "In our view the congressional purpose has no reference to sharing by a middleman music publisher such as Mills" (*Id.* 11a).

F. Accord was reached on termination in the Copyright Office proceedings; Congress did not consider the issue

The termination debate and drafting process ended in 1965 with the publication of the 1965 Revision Bill and Supplementary Report of the Register of Copyrights (Copyright Law Revision, Part 6). When the work of the Copyright Office was introduced as H.R. 2512 (90th Cong., 1st Sess.), the accompanying House Report acknowledged that the termination provisions were a "compromise" and "accomodation," a fact that was stated to Congress by witnesses in hearings on the 1965 Draft. (See H.R. Rep. No. 83, at 90). That Report notes

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26 This shortcoming—from the authors' viewpoint—was the object of an unsuccessfully proposed amendment by the Authors League, in another portion of the submission discussed above at p. 41. The District Court seized upon a proposal to condition continued use of derivative works on a minimum 5% royalty to the author as evidence that the authors believed they would "receive no additional benefits" upon termination in a case such as this (Pet. App. 54a n.80). Such a conclusion is untenable: the Authors League proposal was addressed to the situation described in text above, not to the question of the author's rights against an intermediary who is not a derivative work owner. While the District Court cited to pages "242-45, 251" of Copyright Law Revision, Part 5, page 241 of the same volume contains the text quoted earlier showing the Authors League's successful proposal to close the last loophole and prevent a music publisher from receiving *any* royalties after termination.

that the principal interest groups had resolved not to oppose these provisions so long as they were not materially changed. Most pointedly, the Committee on the Judiciary stated that it was "aware" of the history of the termination provisions, *as reported to it by the Register of Copyrights* (*id.*). The Senate was made equally aware of the Copyright Office proceedings, including the panel discussions and comments through which the important compromises were worked out (see Hearings on S. 1006 at 64). The long road to compromise—including both the music publishers' disavowal of protection under the exception and the numerous other accommodations they won instead—was completely before Congress. Under similar circumstances, this Court has taken the common sense position that what the interested parties said and did to put the legislation in its present state is strong evidence of legislative intent:

> As this Court has often noted, the Railway Labor Act of 1926 was, and was acknowledged to be, an agreement worked out between management and labor, and ratified by the Congress and the President. Accordingly, the statements of the spokesmen for the two parties made in the hearings on the proposed Act are entitled to great weight in the construction of the Act.

Chicago & N.W. R. Co. v. *United Transp. Union*, 402 U.S. 570, 576 (1971) (footnotes omitted); *see also, Int'l Ass'n of Machinists* v. *Street*, 367 U.S. 740, 758 (1961); *First National Bank* v. *Walker Bank & Trust Co.*, 385 U.S. 252, 261 (1966) (National Bank Act). Similarly, in *Dawson Chemical Co.* v. *Rohm & Haas Co.*, 448 U.S. 176, 202 (1980), the Court found that the statutory language "does not explicitly resolve the question" before it, and turned to the legislative history for assistance. Recognizing that the pertinent provision of the Patent Act was largely a compromise among patent attorneys, this Court looked to the comments and criticisms of the private interest spokesmen whose input pro and con affected the enactment, including the New York Patent Law Association and "prominent patent lawyer[s]." *Id.* at 205, 206, 204-212 *passim*.

While Mills conjures with hypothetical provisions Congress might have enacted to deal more clearly with the music industry,[27] the simple fact is that there was no need to rewrite the statute to express what everyone at the time knew. The publishers categorically stated that the exception did not protect them after termination; as in *Chicago & N.W. Ry.*, *supra*, these "statements . . . are entitled to great weight." No one contradicted this reading, and rather than rewrite the exception to preserve the publishers' share the Copyright Office made numerous other concessions to the publishers. The composers, as satisfied with this compromise as were the publishers, both accepted the exception as written and acquiesced in all the other ameliorative provisions made at the behest of the publishers. The music publishers' later "endorsement" of the bill (Pet. Br. at 37 n.21) came only after such other concessions had been made.

Mills' lengthy recitation of what Congress heard, said and did after 1965 is irrelevant. In 20 years of copyright law revision, there is no discussion in congressional hearings, reports, or any other medium of the effect of the exception on music publishers or other similarly situated middlemen. Every comment (and there was very little if any pertinent discussion after 1965) focused on the beneficial effect on derivative work utilizers, for that, obviously, is what the exception is all about. Indeed, after reading "thousands" of pages of legislative history (Pet. App. 42a), the District Court came up empty-handed: it admittedly found no statements by the Copyright Office or Congress respecting the effect of the exception on music publishers (*id.* 45a).

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27 Purporting to quote the Court of Appeals opinion, Mills recites words that could have been enacted "had Congress intended to support the view of the Snyders." (Pet. Br. at 23, purporting to quote Pet. App. 17a n.13). Here is what Judge Oakes actually wrote, with the omission italicized: "had Congress *expressly intended to support the view of the Snyders. . . .*" The Court of Appeals was referring to the fact that the language of the exception, on its face, was written to cover a single-grant situation. Even the District Court agreed: "the Exception does not specifically address the situation herein where the author's grantee licenses others to make derivative works. . . ." The most the District Court could say was that the statutory language was "consistent with including Mills. . . ." (Pet. App. 42a)

While Mills dissociates itself from this one most relevant finding of Judge Weinfeld (Pet. Br. at 28 n.15), it effectively concedes the point by agreeing that termination and the music industry were never discussed "in juxtaposition" (*id.* at 28) or in the same segment of any hearing (*id.* at 29 n.15). The pages of music publisher self-praise quoted by Mills (Pet. Br. at 32-35)[28] are either not directed to any particular part of the revision bill, or relate to the question whether the compulsory license fee should be increased, an issue on which publishers and composers were united in interest and which arose years after the termination debate ended. Similarly, the string citation of "presentations" on the termination clause, like the citations to the final legislative reports, on page 35 of Mills' brief show no reference whatsoever to the music industry.

Indeed, the bulk of Mills' legislative history argument tilts at a nonexistent windmill. The Court of Appeals never said that

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28 Such partisan declarations were contested by both private spokesmen and legislators. *See e.g.*, Blaisdell, Study No. 5, at 94 (many music publishers "are inactive in that they merely hold copyrights and collect royalties on them rather than actively engaging in promotional and distributive operations."); Hearings on H.R. 4347 at 936 (statement of Goddard Lieberson, President of Columbia Records: record companies have taken over promotion role formerly undertaken and paid for by publishers). Stanley Gortikov, President of the Recording Industry Association of America, testified that the function of music publishers is "essentially administrative"; "they are largely service entities, conduits for the processing of income and paper transactions. They don't promote as they used to." (Hearings on H.R. 2223 at 1395). During the 1975 hearings, Representative Wiggins openly doubted whether music publishers perform any active role in promoting music, noting the contrary evidence he had heard. He suggested that the 50-50 split may be "unconscionable" and raise "trust problems." (*id.* at 1650-51).

Indeed, in most cases the record companies, which select the songs they desire to record, do not even contact the publisher (through Fox) for a license until after the recording is made. This last point was made repeatedly in the Copyright Office proceedings (*see e.g.*, Copyright Law Revision, Part 3, at 218, 230). It was also found as a fact by the Copyright Royalty Tribunal after 46 days of hearings in a recent royalty adjustment proceeding. *See Adjustment of Royalty Payable Under Compulsory License for Making and Distributing Phonorecords*, 1 CCH Copyright L. Rptr. ¶ 13042 at page 7558 (C.R.T. Feb. 3, 1981), *aff'd in part*, *Recording Industry Association v. Copyright Royalty Tribunal*, 662 F.2d 1 (D.C. Cir. 1981).

Congress was unaware of the music industry or of the commonplace that many transactions in the entertainment world include more than two parties. It did say that the language of the exception—drafted by the Copyright Office and never debated or revised by Congress—was self-evidently not written to deal in any explicit way with derivative work utilizers who are contractually remote from the author. And the Court of Appeals simply agreed with the District Court that there is no evidence that Congress considered how the exception would apply to the music industry and to the contractual pattern present in this case—a conclusion that is confirmed by Mills' failure to present any such evidence. Mills' seemingly endless recitation of evidence that Congress was "aware" that there is a music industry in this country and that multiparty arrangements do exist does not help construe the exception. Mills simply assumes that its elucidation of the statutory language is correct; it then offers evidence of generalized congressional "awareness" of the structure of the music industry as proof that Congress agreed with Mills' present construction. The reasoning is perfectly circular: once Mills starts by assuming the accuracy of its construction, it is inevitable that it will end up in the same place. Mills' speculation as to what Congress might have thought the exception meant, while avoiding the very portions of the written history in which its meaning was actually worked out, is transparently misguided.

As we have shown, the meaning and scope of the pertinent provisions were clearly understood and expressed during the copyright revision process, and those expressions confirm the Snyders' construction of the statute: termination is for the benefit of authors; the derivative works exception is for the benefit of derivative work owners; and the music publisher, being a member of neither group, "is without recourse upon termination." (Pet. App. 4a).

CONCLUSION

The judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

Harold R. Tyler, Jr.
(Counsel of Record)
Frederick T. Davis
Robert P. LoBue

PATTERSON, BELKNAP, WEBB & TYLER
30 Rockefeller Plaza
New York, New York 10112
(212) 541-4000

Attorneys for Respondents

ADDENDUM

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1. Copyright Law Revision, Part 3, at 283:

> ABELES: I had assumed, before I started digesting these proposals, that we would receive some benefits from the revision of the copyright act. My assumption was certainly in error, as all existing rights are either totally dissipated or vitally curtailed. Accordingly, under such circumstances, it would be definitely advisable to retain the copyright act in its present form. After 25 years, the rights shall terminate; I just don't understand that. I mean, why such a provision? After a thorough consideration, the Register had recommended that if the assignee was obligated to continue paying royalties or a part of his revenue, the assignment should remain in effect. Now all rights would terminate after 25 years. Why this radical revision? Under the present act, the assignee can initially acquire the rights for the full term of copyright and renewal.
>
> In other words, take the music publishing field; today there are so few songs of any one publisher that have potentiality. The publisher has to employ all possible ways and means, including substantial expenditures, to promote them. The competition is drastic today, and few of them ever become popular standards. If you are going to terminate the rights of the publisher after 25 years, you are going to put the legitimate publishers out of business, because they must live upon those few popular standards. It is the income from those popular standards he receives that places him into a position where he can exploit new compositions. Such a provision would mean the death knell of the industry. Again, I ask, why this radical curtailment of existing rights, instead of participation in the extension of such rights? (Copyright Law Revision, Part 3, at 283).

2. Copyright Law Revision, Part 3, at 284-85:

> WATTENBERG: I am not in the habit of making arbitrary statements, but I believe you can assume that, if section 16, in either of its present alternative forms or substantially in any form, remains in the final draft, music publishers will strongly oppose the entire revision draft. There would be no incentive for them to approve revision, if they are to receive benefits from one hand and have these benefits, and more, taken away by the other hand.
>
> Under present law the publisher retains rights for 28 years, and is permitted to acquire rights for the renewal term of 28 years. Alternative *A* would reduce the publisher's right to a 25-year period, and it would prohibit prior acquisition beyond 25 years. The fruits of the publisher's successful exploitation during the 25-year period will belong to others—indeed to all others, because the licensee of the publisher retains his rights under subsection (b) of Alternative *A*, with the royalties resulting from the license presumably reverting entirely to the author, etc., under subsection (a).
>
> Thus, the author or his representatives receives benefits, and licensees of the publisher remain untouched, while the publisher alone is penalized. This is an undue restraint on the free enterprise system which is completely unwarranted, and it would constitute a serious inroad on the publisher's rights under present law and a curtailment of incentive to invest in and continue his business.

3. Copyright Law Revision, Part 3, at 293-97:

> KARP:* When we discuss reversion, of course, we are not discussing a new concept at all. We are discussing the law under which Mr. Jackson, and his clients, and a lot of other people have lived.

---

* Irwin Karp, speaking for the Authors League of America (see Copyright Law Revision, Part 3, at 37).

> We have had in the copyright law since 1909 a possibility that after 28 years the publisher or the motion picture producer or the encyclopedia publisher or anybody else would find his rights cut off if the author played the dirty trick on them of dying before the 28th year. I'm not aware of any great suffering or loss of fortune or stripping away of profit as a result of this. I think it only proves that 28 years is far and away sufficient time for most people to exploit the copyright in any work that they publish or otherwise present. And I would think a 25-year reversion would help the encyclopedia business by eliminating the possibility of all those outdated encyclopedias being on the market all the time. [Laughter].
>
> I would also like to point out that situations do change. They change so radically that the music publishers had to go to Washington and get the personal holding company tax provision changed because they had found themselves paying a personal holding company tax. Business changed on them so rapidly that they no longer carried on enough active business of their own to stay out of that category. As a result, because they get so much royalty income from the author's work in the mechanical recording and performance fields, they paid a surtax in many cases, until the law was changed.
>
> Now we didn't object to that. We felt that that was the relief they needed because they were faced by changing times. But I'm sure Mr. Jackson's publishing clients wouldn't want to live under a concept that a law is a law is a law, and never should be changed. Otherwise they'd be paying a 90% tax right now.
>
> I would like to go to the two alternatives. I think that each of them has much to recommend it. I would only like to point out that in section 16(b) I would suggest that the broad definition of "derivative work" be narrowed down to cover those types of works which might legitimately be entitled to the right to continue on a non-exclusive basis to be shown or published—works, such as motion pictures, which do involve the creation at great

expense of something new. I wouldn't like to see included under a "derivative work" an arrangement, abridgment, translation, or other types of works that don't belong to the same category.

I also would take exception to what I understood Miss Ringer to say, that section 16(a) would be limited to the author. I think that it should be applicable to the author and his heirs—to those who derive the copyright directly from him.

On Alternative B, I think that it opens the door to one other possibility of approaching this problem. I think it might create some litigation, although not anywhere near as much as some of the alarmists would have us believe. It doesn't open the door, as you pointed out, to renegotiate past transactions. It doesn't give the author the right to share in the publisher's profits during the first 20 or 25 years or whatever the term would be. It merely points to certain guidelines in renegotiating, in effect, the contract.

I think that you might take off from Alternative B with a provision that terminated any assignment of copyright or of any right under the copyright after 20 years, unless such long-term assignment contained a renegotiation clause requiring the author and publisher to renegotiate the terms of the license prospectively for the balance of the copyright (not for the past), submitting to arbitration any differences between them that couldn't be resolved amicably.

Now, renegotiation is not an alien concept in our jurisprudence. We've had renegotiation acts that involved contracts running to the millions and millions of dollars. We've had renegotiation clauses in other long term contracts and long term leases. It's perfectly sensible for two people, sitting down to bargain about rights which have values that simply can't be determined and uses that can't even be envisioned at the time they're bargaining, to provide as best they can, by free bargaining, to redetermine the value of the rights after a reasonable term. And, if the user insists and relies on his superior economic position, then all this twaddle about adults not being

competent is just not reflective of the actual situation. Competent adults can be forced to make deals that they don't want to make, if no one will give them the deal that they want, and that's just what happens in many areas of the entertainment business. There's no reason why competent adults can't agree on a fair price for the foreseeable future and say that, if the contract does go on for a longer term at the insistence of one side, they will renegotiate the consideration for the balance of the term in the light of conditions then prevailing, subject to arbitration.

I don't think that any publisher bringing out a collection of novels today, tomorrow, or fifty years from now, is ever going to sit down and agree to pay the author lump sums. It just isn't done; it's not the fact. They pay advances. They'll pay a considerable advance very infrequently to a very successful author for one novel, but it's still an advance against royalties.

By and large, when you are publishing any book other than encyclopedias and other special categories, you publish on a royalty basis. There are very few publishers who would dare risk publishing several hundred titles a year, each of which they have paid a lump sum for. They will insist, as they do now, on doing it on a royalty basis. And they will face, as they do now, the possibility that factors will change in their industry—just as they've changed radically in the motion picture business and in the music publishing—which they don't foresee, and that terms which they put into contracts in 1940 are unfair in 1983 or may be even unfair in 1970. The only way that you can solve this problem—if you're not going to have equally-balanced bargaining, which you don't—is to have some sort of renegotiation such as this.

• • • •

KELLMAN:* I would like to concur wholeheartedly in Mr. Karp's comments in favor of reversion, and I would

* Leon Kellman, speaking for the American Guild of Authors and Composers (see Copyright Law Revision, Part 3, at 37).

like to add this. I would think that any user—picture company or otherwise—in this day and age or in any day and age, will take a work with the expectation that he is going to get back his cost and make his profit after about 20 or 25 years. He's taking it with the expectation that he is going to get back his cost and make his profit after about 20 or 25 years. He's taking it with the expectation that he is going to pay his cost and make back his profit within that time, and everything he gets after that is a kind of margin that is very, very helpful.

But he will have already made back his cost and his profit, whether it's "Gone With the Wind" or anything else, in 20 or 25 years; and the more expensive the production the shorter the right they are willing to take now from owners of plays and books in certain situations, so that the value of a work after 20 or 25 years will depend a re-exploitation. This is something that the user, the buyer, normally does not do. He rides with it. It is the author, in the case of reversion, who will be the one to go forward with a re-exploitation, to see whether he can make something of it.

Now, insofar as getting it back is concerned, I would favor a provision that would give the then-owner the opportunity to renegotiate. If he feels that he can then re-exploit it, let him be given the opportunity to do so and make a fair deal for that. If he does not want to re-exploit it, then let him give it back.

• • • •

WATTENBERG: With respect to Mr. Kellman's remarks, I would call attention to the fact that the guild or association he represents, which used to be called the Songwriters Protective Association....

KELLMAN: We've changed the name since.

WATTENBERG: ....has negotiated since 1947 a basic minimum agreement with publishers which provides that roughly fifty percent of all income goes to the writers, as a minimum. Now, fifty percent is usually considered a

reasonable return, and what this would do would give the writer the opportunity to recover one hundred percent. If he had reversion, the rights would then give him 100% of income, and naturally it would be good for the writers.

4. Copyright Law Revision, Part 3, at 318-19 (written submission):

> [ABELES:] What has really given the publishers the most concern is § 16(a) of Alternative *A*, of the preliminary draft of June 4, 1963. They just cannot comprehend the provision curtailing their rights to a period "for no more than twenty-five years," notwithstanding any agreement to the contrary. This is another example of slapping the publishers down, but in this instance the slap would be so violent as to drain the very lifeblood of the industry.
>
> The original proposal of your office was for a twenty-year extension of the renewal term, whereby the copyright for the additional period would revert, "except where the assignee is obligated to continue paying royalties or a part of his revenue to the author or his heirs during the entire life of the copyright." It was my understanding that the authors, in wanting to be assured of the publishers' support of the proposed extended term, were originally in accord that, if the copyright were extended either pursuant to this proposal or for the period of fifty years after the death of the authors as in foreign countries, that the publisher could continue to enjoy the benefits thereof, subject to its obligation to make royalty payments during the extended term. When they were virtually assured of the extension, I understand they subsequently took the position that the publisher might only be obligated for an insignificant payment during the renewal and, accordingly, for the extended term. Obviously, the logical means of rebutting this hypothesis would be to provide that the royalty payments must be no less favorable than during the original copyright term.
>
> However, why the authors should be so materially benefitted and the publishers so drastically chastised un-

der the present proposal, is utterly beyond comprehension. At least under the present Act if the author survives the first day of the last year of the original copyright term, his renewal assignment is effective for the entire renewal term, making a total of fifty-six years instead of twenty-five years. Furthermore, if the wife and any children are a party to the agreement with the author transferring the renewal rights, or in the absence of any wife or children the author makes provision in his will for such rights to vest in the publisher pursuant to an agreement to such effect, the publisher would be assured of the rights for the entire fifty-six year period.

There can obviously be no logical reason why the rights of the publisher, under the proposed amended term of the life of the author and fifty years, should be for a lesser period than in all of the other countries where a like term is in effect. If the proposed amendment is to be patterned thereafter, then the same pattern should be adhered to with respect to the rights of the publisher. Why should this be the only country to so drastically curtail the rights of the publisher? The publisher takes a raw born composition, devotes all of this sources and expends substantial sums of money in exploitation. Very few ever pass the period of infancy and then those that do are snatched away from him, at a time when he should be in a position to enjoy their commercial maturity, the fruits of his labor and expenditures. Take those away from him then and you have robbed him of his just right and created chaos in the industry. Is the publisher to be the forgotten man, a cast-off for the benefit of others?

Yes, there is an exception to the twenty-five year limitation, whereby "a derivative work prepared under the authority of a terminated transfer may, despite the reversion of rights, continue to be utilized under the terms of the transfer." This would be for the benefit of everyone acquiring the rights under a copyright other than the publisher who, in the case of a musical or literary work, is the one who has stimulated such demand therefor. Certainly, he should at least be accorded this same consideration.

Every pertinent provision of the proposed amendments is highly beneficial either to the record "pirates" or the authors, and highly detrimental to the rights and interests of the publishers. This is a strange theory of the purport of an amendment. It is a case of "all for one" but not "one for all." Under these dire circumstances, the publishers would much prefer the present Act, sans such revisions, and would, accordingly, be reluctantly compelled to exert every effort and means to forestall their enactment.

5. Copyright Law Revision, Part 4, at 39-40:

[WATTENBERG:] I'd like to make some remarks regarding section 22(c). Since 1919 my firm has represented many music publishers, and during those years we've drawn numerous contracts under which the renewal copyright was assigned to the publisher. Invariably, these contracts contained the following language: "If the copyright law of the United States now in force shall be changed or amended so as to provide for an extended or longer term of copyright, then the writer hereby sells, assigns, transfers, and sets over unto the publisher, its successors and assigns or designees, all his right, title, and interest in and to said musical compositions covered by this agreement, for such extended or longer term of copyright."

In most instances substantial sums of money were paid to the authors, widows, children, or executors. Admittedly, these sums are not allocated between the rights granted, but I see no reason why there should be any allocation. In *Rose* vs. *Bourne*, the court upheld agreements conveying the original and the renewal term without there being any allocation of consideration.

A random search in my files for examples containing this provision discloses the following: a contract dated June 1, 1959, with an author, with $15,000 paid upon the execution; a contract made in September 1960 with a widow and four children, with $60,000 paid upon the

execution; a contract in 1957 with a composer and his wife covering one composition, with $2,500 paid upon execution; a contract made in 1953 with a composer, guaranteeing payments of $5,000 a year over a period of ten years; and so on.

If section 22(c) is enacted in its present form, the parties contracting with the publishers will have the right to terminate the contracts I have just referred to at the end of 56 years from the date of copyright. This would deprive the publishers of rights for which they have paid substantial sums of money. There is no justification for arbitrarily cancelling perfectly legal contracts for which valuable consideration has been paid. If it is desired to protect the people who have executed the transfers of their legal representatives, the cancellation provision should be qualified so as to give the right of cancellation only where no valuable consideration has been paid for the agreement.

6. Copyright Law Revision, Part 5, at 222 (written submission):

[ABELES]: There is, of course, the other material provision, regarding which I have heretofore commented. I have reference to the provision in Section 16, that "At any time after 35 years from the date of its execution, the transfer may be terminated by the author who executed it or, if he is dead, by his legal representatives, legatees, or heirs. The termination may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any other future transfer....Under the present Act a copyright proprietor can acquire the work for both the term of the copyright and renewal. This can be effected through an agreement with the author, in which the wife and children join. If he leaves no widow or child, this can be accomplished through a provision in his agreement, to make a will containing a provision to such effect.

While the term of copyright protection is now extended to 'the life of the author and 50 years after his death,' the term of the grant is curtailed to 35 years from the date of transfer. In the case of a music publisher, substantial efforts and expense are involved in the promotion and exploitation of a composition. Nevertheless, very few of them ever survive and become standards. Why then should the subsequent transferee reap the benefits of such few that survive, through no efforts or expenditures on his part? Why should the term be extended for the benefit of the author and yet curtailed to the detriment of the material interests of the copyright proprietor?

REPLY

BRIEF

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No. 83-1153

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

MILLS MUSIC, INC.,

Petitioner,

—v.—

MARIE SNYDER and TED SNYDER, JR.,
d/b/a TED SNYDER MUSIC PUBLISHING CO.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY BRIEF FOR THE PETITIONER

MARVIN E. FRANKEL
(Counsel of Record)
MICHAEL S. OBERMAN
STEVEN E. GREENBAUM

KRAMER, LEVIN, NESSEN, KAMIN
& FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100

Attorneys for Petitioner
Mills Music, Inc.

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REPLY BRIEF FOR THE PETITIONER

I. THE SNYDERS SPLINTER, SCATTER AND PARTIALLY IGNORE THE CONTROLLING STATUTORY LANGUAGE

Tearing the statute literally to pieces, dispersing its connected sentences and omitting important words altogether, the Snyders underscore the impossibility of squaring their position with the text Congress enacted. Once the portions of the Act are put back together and the plain terms are read in context, the effect of the Exception becomes clear. Reversion to the author is not complete; instead, the terminated grant remains effective and states the terms on which pre-termination derivative works may continue to be utilized, including the amount of royalties to be paid to the author or his heirs.

A. The effect of the Exception: reversion to the author is not complete

The Snyders repeatedly claim as their basic premise to have recaptured through termination "all" of Ted Snyder's rights (Br. 1-2, 3-5, 9-11, 15-18). To support the claim, they highlight the language in § 304(c)(6) providing for recapture of "*all*" rights, italicizing "all" (*id.* at 3-4). But that simply stops short of the Exception, which is the subject of the case; reading on, we see that the Exception serves to *limit* the rights that revert, giving the Snyders *less than all* the rights to which the termination relates.[1] Largely blocking that from view, the Snyders omit altogether the words introducing the Exception, the words that qualify "all": "In all cases the reversion of rights is subject to the following limitations . . . ." 17 U.S.C. § 304(c)(6). Then, having declared it "irrelevant" (Br. 5), they drop the Exception to a footnote (*id.* at n.2)—even though it is "the meaning of [the] words in the Exception" that is the question presented for review on certiorari (Pet. Br. i).

With respect to old derivative works, the terms of the "terminated grant" from Ted Snyder to Mills remain effective. That grant provides authorization for the record companies' continued utilization of pre-termination sound recordings without further consent from the Snyders and provides for the sharing between Mills and the Snyders of net royalties for that continued use (J.A. 41-42).[2]

---

1 For convenience, we reproduce here the pertinent part of § 304(c):

> (6) . . . In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights . . . that were covered by the terminated grant revert . . . to that author or [his or her heirs] . . . . In all cases the reversion of rights is subject to the following limitations:
>
> (A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

2 To this extent, as Judge Weinfeld (Pet. App. 40a-41a) and Professor Nimmer (*see* Pet. Br. 18) have written, the chain of rights continued through Mills to the record companies, which never had, and do not now have, any contractual relationship with Ted Snyder or his heirs. While the Snyders contend that the 1976 Act eliminated this chain of rights (Br. 30), Nimmer has properly found it preserved in the language of § 304(c)(6) ignored by the Snyders. *See* 3 M. Nimmer, *Nimmer on Copyright* § 11.02[B], at 11-18.3 to 11-18.4 (1984). Since the filing of our main brief, Nimmer has restated his analysis in the July 1984 update to his treatise, adding a critique of the Court of Appeals' opinion. *Id.* at 11-18.3 to 11-18.5.

B. Only one grant—the "terminated grant"—is the subject of the termination provision and the Exception

Defending the position on which they prevailed below, the Snyders say it "must be true" that the Exception, though it consistently speaks of a single "terminated grant" whose terms control, necessarily has reference to two distinct "grants" in this typical kind of case (Br. 10). When they use the word in connection with their exercise of the termination right, they agree that "grant" refers to what they terminated (*id.*). Then, however, in handling the same word in the *Exception to what they terminated*, they would have "grant" refer to "[t]*he second grant*" (Br. 8, emphasis in original) or "Fox licenses" (Br. 9) because these contain the "terms" of payment by the record companies. It is not logically permissible or legally justifiable to adopt this "tortured reading," as Judge Weinfeld called it (Pet. App. 42a), of the statutory language.

In plain, and plainly sensible, English the grant that was terminated controls continued utilization of old derivative works. Pre-termination sound recordings of "Who's Sorry Now," the derivative works in question, were, in the words of the Exception, prepared "under authority of the [Snyder-Mills] grant before its termination." Continued utilization "under the terms" of that grant preserves the *status quo ante* for old derivative works by virtue of the limitation on the reversionary rights effected by the Exception, defining the payments due to the author and his heirs (here 50% of royalties).

To be sure, under that grant before its termination Mills had given recording licenses which set royalty rates to be paid by

the record companies—all as Snyder and Mills had contemplated under Snyder's grant to Mills. But only a steady aim to misunderstand would build ambiguity from this. Mills was limited at all times by the terms of its grant from Snyder, and that grant defined what use could be made of the underlying copyright. Had the grant precluded Mills from licensing sound recordings, none properly could have been made "'under authority of the grant before its termination.'" If, but only if, the Snyder grant to Mills authorized lump sum sales of recording rights and Mills had made such sales, the Snyders appear to recognize (Br. 43-44) that they could now claim no royalties at all from the record companies on old derivative works. The point here and throughout is that, as the Snyders say (Br. 10), Mills could not have extended rights greater than those its grant from Snyder allowed. The terms of that grant controlled Mills and the record companies as well as Snyder and, under the Exception, they still do.

With respect to the old derivative works in question, the parties always operated and, by virtue of the Exception, continue to operate, "under the terms of the [terminated] grant" from Snyder to Mills. Therefore, it is not surprising, though the Snyders appear to say this helps them (Br. 10), that the record companies have continued on exactly the same "practical understanding" that always governed, making royalty payments at the same rates to The Harry Fox Agency, Inc. What the parties must do, and what they may not do, continues to be determined under the terms of Snyder's grant to Mills.

As Judge Weinfeld amply demonstrated, the words of the Exception—and, in particular, the word "grant" read with a consistent meaning—comfortably support an affirmative answer to the question presented (Pet. Br. i), a holding in favor of Mills. To find for the Snyders, however, requires judicial revision of the statute (*see* Pet. Br. 22-24). It is notable that the Snyders, who never directly address the question presented, do not dispute that the Court of Appeals, in adopting the Snyders'

analysis, was forced to construe the Exception so that it became an entirely different provision from the one enacted.[1]

C. The language of the Copyright Act, and not common law principles of property law, is controlling

In departing from the words Congress enacted and in finding that the Snyders are to receive 100% of the mechanical royalties from the record companies, the Court of Appeals' opinion left a major gap: it did not attempt to explain how or why the record companies will pay royalties to the Snyders when the record companies never had any agreement of any kind with Ted Snyder. In contrast, under the District Court's application of the words of the Exception, pre-existing arrangements are preserved and define the ongoing relationships among author, publisher and record companies with respect to old derivative works.

The Snyders attempt to fill the gap in the Court of Appeals' analysis with analogies to other areas of law (Br. 15-18), analogies offered to, but not adopted by, the court below. The trouble with the analogies is that they are excursions away from the Copyright Act to situations that are not analogous. This case is about a statutory right of reversion and a statutory Exception. If we were concerned with a landlord who transferred title in an office building without exception (Resp. Br. 15), of course the transferee would thereafter receive the tenant's rent. But if a real estate statute provided for a reversion of rights and made that reversion "[i]n all cases . . . subject to the following limitations"—as does § 304(c)(6) in introducing the Exception—we would look to the limitations that followed to determine the rights created under the statute. The Snyders' references to assigned installment sales contracts

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1 The Snyders mistakenly tax us with misquoting the Court of Appeals' introduction to this revision (Br. 46 n.27). The word ("expressly") that they italicize and call an "omission" from our brief is found at the second line of the page cited from our brief (p. 25), singled out there in quotation marks.

(Br. 15) and to sales or transfers of copyrights by operation of law outside the scope of § 304(c) (Br. 16-17) are not more helpful. In each instance hypothesized, a complete transfer of rights is effected; this case concerns a right of termination that is not complete.

The grant from Ted Snyder to Mills was itself limited. According to the Snyders' formulation, Snyder in executing the grant had "transferred to the publisher *all* rights secured to the owner of the work by the Copyright Act" (Br. 3, emphasis added). However, even while Mills was the owner of "all rights" to "Who's Sorry Now," it did not retain 100% of the royalties resulting from licensed derivative works. Unlike the new owner of real estate, or the assignee of a contract, Mills had to share the flow of income with Snyder "under the terms of the grant"; all income did not go to "the new owner"—Mills. It neither "discards rules that the law deems just and fair" (Resp. Br. 17) nor is it "preposterous" (Resp. Br. 15) to conclude that, following termination, the Snyders—by force of the Exception—must, as Mills had done, share the mechanical royalties "under the terms of the grant."

D. The question is not about "utilizers" but about the "terms" of continued use

Fastening upon the statutory word "utilized," the Snyders urge (Br. 3-9) that the case turns on the undisputed proposition that the record companies "utilize" the derivative works to which the Exception refers. They put as the "threshold question" the identification of who is "utilizing," and claim to find the answer in §§ 103 and 106 of the Act (Br. 5-6).

But neither the proposed question nor the digression to other parts of the Act for the answer is useful for the interpretation of § 304(c)(6)(A). Mills does not rely upon a claim that it is a "utilizer" of the derivative works in the sense that the record companies are. Mills' claim throughout, referring to the actual word "utilized" in the statute and its context, is that the "terms" on which old derivative works may be utilized are

those embodied in the single terminated grant, that is, the Snyder grant to Mills. Whatever the labels in this respect, Mills claims its continued share of royalties under the terms of the terminated grant pursuant to the Exception.[4]

Sections 103 and 106 give no content to the word "utilized"; neither includes the quoted word. Those sections confirm what is undisputed: that a derivative work may be copyrighted (§ 103) and that the proprietor of a copyright in a derivative work may exercise the exclusive rights of copyright (§ 106). To resolve the question presented in this case, we must return to the Exception in its setting of the termination provision.

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4 The Snyders call Mills' statement that it does not utilize the pre-termination sound recordings a "breathtaking about-face" (Br. 7), and say an opposite characterization "was a cornerstone of the District Court's opinion" (*id.* at n.3). The hyperbole starts from an inaccurate account of the record, and in any case dramatizes a quibble. As for the "cornerstone" of the District Court's opinion, Judge Weinfeld wrote, soundly (Pet. App. 41a), that it makes no fundamental difference whether the Snyders correctly define "utilize" because this would "not mean that the Exception is limited to derivative work owners or makers or that it does not apply to the music publishers' right to mechanical royalties under the licenses issued by them." As for the position of Mills in both lower courts, its substance has been consistently what it is here—that, by virtue of the Exception, the pre-existing arrangements pursuant to which derivative works had been prepared prior to termination are preserved and continue to provide the terms pursuant to which those old derivative works may be utilized after termination, including the allocation of royalties.

The Snyders further assert that Mills "fails to focus on either the meaning of the statutory words or their place in the context of the Copyright Act" (Br. 5) and that "Mills never quotes the phrase 'under the terms of the grant' in juxtaposition with its concession: 'a derivative work . . . *may continue to be utilized* under the terms of the grant . . . .'" (Br. 9, emphasis and deletions in original). Even a cursory review of Mills' brief should have prevented such assertions. In Mills' main brief (as contrasted with the Snyders' brief), the words of the Exception are fully set forth in their context (Pet. Br. 14-15), and the words are applied consistently with their context (*id.* at 13-24).

II. THE LEGISLATIVE HISTORY PROVIDES NO BASIS FOR IGNORING THE PLAIN LANGUAGE OF THE EXCEPTION

Following their attempt to divide and conquer the statutory text, the Snyders devote some thirty pages of argument, and a ten-page "Addendum," to pressing supposed reasons why Congress should be deemed to have preferred "creative" people over "non-creative publishers" (Br. 12), including "a middleman like Mills" (*id.* at 14), while neglecting the "typical" or "standard" situation to which the Exception applies (Pet. App. 5a, 19a). They trace some history of the jurisprudence under the 1909 Act and quote some statements made during informal round-table discussions preceding the introduction of a copyright revision bill in Congress. The main result is to prove what is not disputed: that, among other purposes, Congress intended to assure continued utilization of pre-termination derivative works. But the Snyders' presentation affords no basis for ignoring the words of the Exception that Congress enacted.

A. The Exception covers varieties of derivative works and benefits an array of interests

A substantial portion of the Snyders' brief (pp. 20-31) shows that Congress was concerned with the interests of derivative works owners. That is undisputed.[7] What the history does *not* show is that this was the *sole* concern, as the Snyders seem to urge. The history, like the statutory language, refutes their conception (*see* Pet. Br. 32-35, 37-39). And the statutory

[7] Because we agree that the Exception was intended, *inter alia*, to permit continued utilization of old derivative works, we need not address the facts or holdings of *Edmonds* v. *Stern*, 240 F. 897 (2d Cir. 1918); *Fitch* v. *Shubert*, 20 F. Supp. 314 (S.D.N.Y. 1937); *G. Ricordi & Co.* v. *Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951); or *Rohauer* v. *Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977).

language, covering what is at issue here, deals with the terms on which the derivative works may be "utilized."[8]

The Snyders argue insistently that the Exception was drafted with only the motion picture industry in view (Br. 24, 27, 31, 32, 33, 34), so that the drafters had only "the paradigm single-grant situation in mind" (Br. 34). The argument is erroneous from end to end. When Congress meant to make exceptions specifically for motion pictures, or for motion pictures and other specified categories, it knew how to say so. *See* 17 U.S.C. §§ 108(h) and 112(a). But the Exception involved here covers "derivative works," a category specifically defined to include sound recordings, 17 U.S.C. § 101, and was framed in terms of conditions of use, not merely privileged users.[9]

[8] The Snyders inaccurately assert that "Mills views the [E]xception as merely a congressional exercise in income allocation" (Br. 28). We do not view the statute as "merely" any single thing. It permits utilization of old derivative works. It also gives the "terms" for continued utilization of those works, in that respect allocating income.

[9] In another erroneous correction, the Snyders say (Br. 33) that the Mills brief "erroneously cited" 2 A. Lindey, *Lindey on Entertainment, Publishing and the Arts* (2d ed. 1966) to show, in their paraphrase, "that grants in the motion picture industry typically are not direct grants . . . ." The citation was not erroneous at all. Lindey and another work, not mentioned by respondents (*but see* Pet. Br. 31-33), were cited to show, *inter alia*, that in the motion picture industry, "[m]ulti-party arrangements among authors, producers and distributors are common" (*id.*). They show precisely that. Indeed, Lindey, the work respondents select to assert error by Mills, demonstrates—as parts of standard, *form* contracts—the routine contemplation of a right of further assignment in the author's grantee (*see* pp. 808, 899) and the form of assignment of rights from a motion picture company to a lender (*id.* at 880-V1). While it is of course unnecessary to determine this, it is evident from the cited authorities, fairly read, that motion picture rights and payment obligations are distributed among producer-grantees and sundry subgrantees, including distributors, lenders and others. It becomes clear that in what respondents term the "paradigm" motion picture industry, as in the music industry, the continued exploitation of old derivative works is likely to result "under the terms of the grant" in payments to the original grantee as well as the author—all depending, of course, on what the terms of the grant dictate.

As Judge Weinfeld concluded, Congress intended to accommodate a variety of interests—authors who create works, publishers who disseminate them, investors purchasing rights in creative works, and heirs of authors. In an attempt to undo Congress' careful accommodation of the various interests, the Snyders repeat the pejorative terms they persuaded the Court of Appeals to apply to music publishers—"non-creative publishers" and "middlemen" (Br. 2, 7, 12, 14, 37). Mills is further accused of "seeking a windfall that Congress specifically foreclosed" (*id.* at 11) and of attempting "to insinuate itself into the statutory scheme" (*id.* at 2; *see also id.* at 31). These unpleasant words are unwarranted and, what is more important, unavailing to overcome the words of the Exception.

But for the nineteen-year extension of the duration of subsisting copyrights included in the Act, "Who's Sorry Now" would have already fallen into the public domain and the owners of the copyrights on old derivative works—who the Snyders claim were the only protected class in the Exception—would have the right to utilize those works without payment of any royalties to anyone. The extension of the copyright term gave the Snyders a benefit by continuing their 50% share of the royalties on old derivative works for the extended term plus giving them total control over future exploitations of the song, including new derivative works. What they seek in addition is an increased share of royalties from old derivative works. But the terms of the Exception fix the Snyders' ongoing share of royalties from old derivative works created by others and arranged for by others (in this case Mills) in accordance with pre-existing arrangements—"the terms of the grant." With respect to old derivative works, the Snyders did not gain "a second opportunity to bargain with hindsight as to the value of their copyrights" (Resp. Br. 3). To give the Snyders 100% of the royalties on old derivative works would allow them a benefit not contemplated by the Exception—in their term, a larger "windfall" than Congress deemed appropriate.[9]

[9] Reaching outside the record, the Snyders for the first time suggest that a 50/50 division is typical of the music industry (Br. 14-15). Both courts below cited as an undisputed fact that the equal sharing was part of the "typical arrangement in the music industry" (Pet. App. 27a; *see also id.* at 3a), and the same division was presumed to Congress as the standard when the Exception was enacted (see Pet. Br. 31). The Snyders in their brief below supported—and certainly did not question—this account.

Departing now from that common ground, the Snyders also make the undocumented suggestion that the songwriter plaintiff, The Harry Fox Agency, Inc., unilaterally selected a dispute with equally divided royalties as the definitive "test case." This is totally and remarkably baseless. As counsel knew, this has proceeded throughout as a "test case" on *both* sides—composers versus publishers. The composers as a group, not the Snyders, appear to be funding their side of the case (which, as they said in their brief below, is often only a "small" amount in controversy (Snyders' App. Br. 11), making possible the appeal that the composers took from the District Court to the "test case." *See* ACAC [American Guild of Authors and Composers] The Songwriters Guild News, Spring 1986, at 2: "The Guild has paid the expenses of this case in the District Court and the Court of Appeals. Now we will have to pay for the defense in the Supreme Court."

B. Congress knew what it was doing

In the end of their extended presentation of the prelegislative history of the Act, the Snyders conclude as part of a point heading that "Congress did not consider the issue" presented (Br. 44). This assertion is meant of course to justify the view of the Court of Appeals that it could and should write the statute Congress would have written if it had been aware of the business realities to which the statute would apply. The whole line of argument is unwarranted in fact and unsound in terms of the presumptions of good sense owed by one branch of government to another.

Far from imputing ignorance to Congress unless the legislators give recitations to show that they know what they are doing, this Court will, in the absence of legislative history one way or another, "assume that Congress had knowledge" concerning "commercial usage" affected by its enactments. *White v. Aronson*, 302 U.S. 16, 20 (1937). The meaning and effect of statutes will be determined on the premise that "Congress must have had full knowledge" of the "facts" upon which its legislation bears and, therefore, knowledge of what the legisla-

the words would accomplish. *Prudential Insurance Co. v. Benjamin*, 328 U.S. 408, 430 (1946). Contrary to respondents' reference that the plain statutory terms cannot apply because Congress must have approved them while oblivious to the "standard" and "typical" arrangements (Ct. App. Op'n, Pet. App. 3a, 19a) to which the terms would apply, this Court's decisions teach that judges must not "assume that Congress was unaware" of what its words would mean in the affected universe. *Dixon Warehouse Co. v. Bowles*, 321 U.S. 144, 149 (1944). *See also Albernaz v. United States*, 450 U.S. 333, 342 (1981); *United States Railroad Retirement Board v. Fritz*, 449 U.S. 166, 179 (1980); *Cannon v. University of Chicago*, 441 U.S. 677, 699 (1979); *Chesapeake & Potomac Telephone Co. v. Manning*, 186 U.S. 238, 240 (1902).

While respondents' thesis would fail as a matter of general principle, we have also shown (Pet. Br. 29-31) from the legislative history of the Act that Congress was unquestionably aware in fact of the multi-party arrangements in the music industry to which an exception addressed to derivative works (including sound recordings) would apply. That history gives solid reason to apply the statutory words in accordance with their plain meaning and not to rewrite them.[6]

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6 The Snyders cite (Br. 29 n.17) Curtis, *Caveat Emptor in Copyright: A Practical Guide to the Termination of Transfers Provisions of the New Copyright Code*, 21 Bull. Copyright Soc'y 19, 40 (1973), as supporting their view of the purpose of the Exception. They do not mention Mr. Curtis' concession that a "literal application" of the Exception "might seem to require that the author's share of such sublicensing agreements be limited to the amount provided in the terminated grant to the publisher." *Id.* at 38. Nor do the Snyders mention that in a prior article—cited by them for a different proposition (Br. 23 n.12)—the same author concluded that "if the sublicensing agreement provides for continuing payments to the *original grantee*, the right to receive such payments evidently does not revert to the author. . . . Moreover, the comment . . . that the derivative work can continue to be utilized 'under the terms of the terminated grant' seems to mean that the author's share in revenues from sublicensing agreements would continue to be controlled by the terms of the original grant." Curtis, *Protecting Authors in Copyright Transfers: Revision Bill § 203 and the Alternatives*, 72 Colum. L. Rev. 799, 825 n.130 (1972).

C. Incidental statements by industry representatives—not made to, heard by or responded to by any member of Congress—were correctly rejected as weightless

The Snyders rely at length (Br. 38-42, Addendum 1a-11a) upon discussions among various industry representatives and copyright scholars conducted a dozen years and more before passage of the Act—discussions in which no member of Congress participated even as a listener. The Court of Appeals, while ruling for respondents, found no help in the cited discussions outside any Congressional presence. The District Court explicitly dismissed them as at best "free-wheeling utterances" (Pet. App. 65a) shedding no useful light on the problem of interpretation. That was a plainly sound judgment.

What non-legislators say outside the halls or hearing rooms of Congress can have little or no force, when even statements made by witnesses at Congressional hearings are greatly discounted. Indeed, this Court has taught that statements of witnesses, though made directly to committees of Congress, are normally "without weight in the interpretation of a statute." *McCaughn v. Hershey Chocolate Co.*, 283 U.S. 488, 493-94 (1931); *see also Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 203-04 n.24 (1976); *United States v. Public Utilities Commission*, 345 U.S. 295, 319 (1953) (Jackson, J., concurring).

A fortiori, both courts below correctly treated the statements invoked by respondents as inconsequential. These remarks were made prior to the introduction of any legislation, in connection with the Copyright Office's preparation of a revision bill to be submitted to Congress. At the time the statements were made, the relevant legislation was in its most preliminary stage; there were still two distinct alternative proposals governing termination. Copyright Law Revision, Part 3, at 15-16. In the course of this preliminary drafting and background analysis, the Copyright Office held the round-table discussions among consultants appointed by the Librarian of Congress and others interested in copyright revision, ultimately

over a hundred panelists. Hearings on S. 1006 (1st Sess.), at 64. Some of the sessions were not even recorded.[10]

All who participated in these discussions knew that their remarks were *informal*. Register Kaminstein, in opening the session from which the Snyders select most of their quotations, made clear that the panelists "do not necessarily reflect or represent any formal or official position." Copyright Law Revision, Part 3, at 256. In releasing the Committee Prints of the transcribed discussions, the Chairman of the House Committee on the Judiciary cautioned that "the committee neither approves nor disapproves any of the views expressed therein." *Id.* at iii (Foreword).

The two cases the Snyders cite as authority to treat the panel statements as significant legislative history do not support their position. In the first of the cited cases, *Chicago & North Western Railway v. United Transportation Union*, 402 U.S. 570 (1971), the Court noted that the "Railway Labor Act of 1926 was, and was acknowledged to be, an agreement worked out between management and labor, and ratified by the Congress and the President." *Id.* at 576 (footnote omitted). In that context, the Court gave great weight to statements made by the two parties when explaining the language of their agreement in testimony before Congressional committees. There is nothing remotely like that here. Similarly, in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176 (1980), the Court considered statements made at Congressional hearings by private patent attorneys, where the provision at issue had been proposed by the private bar and the testifying attorneys were the drafters. In contrast, the statements offered by the Snyders were off-the-cuff remarks at informal round-table discussions by two of a hundred industry representatives, none of whom drafted the Exception.

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[10] In opening a panel session on September 14, 1961, the Register of Copyrights noted that "[f]or the first time we are transcribing the comments at these meetings." Copyright Law Revision, Part 2, at 5.

In short, the Snyders place main reliance on so-called legislative history—more accurately, what Abraham L. Kaminstein, while Register of Copyrights, termed the "prelegislative history" of the Act (Hearings on S. 1006 (1st Sess.), at 64)—that ought not to count at all. The Congressional hearings, reports and debates on the 1976 Act are voluminous; to read beyond these materials in search of stray comments made in informal discussions would make legislative history an unmanageable instrument of distortion, not a sound aid in ascertaining statutory meaning.

But even if the round-table discussions were treated as pertinent legislative history, they could not overcome the words of the Exception. The great majority of the comments quoted or cited by the Snyders do not relate at all to the question presented; they do not address the right of music publishers to royalties from pre-termination derivative works (as opposed to the rights of publishers more generally upon termination when no derivative works are involved) and do not focus upon the Exception (as opposed to the broader issue of termination). Even the remarks of music industry representatives Julian Abeles and Phillip Wattenberg—the comments most approximately helpful to respondents—offer little guidance. As Judge Weinfeld found, much of what each said may be read as a "broad attack" on the idea of termination in general (Pet. App. 64a-65a). These statements were, in any event, expressions of advocates arguing an extreme position evidently abandoned by the time Congress and its committees proceeded to the long, close work of honing the legislation. *Compare* Copyright Law Revision, Part 3, at 284-85 (Statement by Mr. Wattenberg that music publishers would oppose revision bill if draft termination language not amended) *with* Hearings on H.R. 4347, at 276, 296 (endorsements of revision bill by Messrs. Wattenberg and Abeles). Such spontaneous remarks from the prelegislative history cannot begin to overcome the

plain import of the words for which members of the House and Senate came ultimately to vote.[11]

III. THE EXCEPTION, AS CONSTRUED BY THE DISTRICT COURT, DOES NOT CONFLICT WITH THE COMPULSORY LICENSE PROVISION

In the District Court, the Snyders' principal argument was that the sound recordings at issue are not subject to the Exception at all because they were prepared under authority of the compulsory license provisions of the Copyright Act, not the grant from Ted Snyder to Mills (Pet. App. 32a-33a; *see* 1976 Act § 115; 1909 Act § 1(e)). Judge Weinfeld dealt with that argument at length and rejected it (Pet. App. 32a-37a). Before the Court of Appeals, the Snyders virtually abandoned the argument, offering as a variant that the Exception, if read to favor Mills, would be inconsistent with the compulsory license provision (Snyders' App. Br. 50-54). The Court of Appeals pretermitted the argument (Pet. App. 23a); now, in condensed form, it is presented again here.[12]

As Judge Weinfeld found, true compulsory licenses (none of which is present in this case) are rare in the industry if they

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[11] If the panel discussions are considered by the Court, it would be necessary to reckon with passages revealing that at least some panel members believed the Exception protected *all* assignees, not just derivative work owners. *See* Copyright Law Revision, Part 4, at 42 (Statement of Franklin Waldheim); *id.* at 51 (Statement of John Schulman); *id.* at 52 (Statement of Leonard Zissu). The panel discussions also disclose a recognition by authors' representatives that, due to the Exception, they would not gain an increased rate of revenue from old derivative works. Copyright Law Revision, Part 3, at 296 (Statement of Leon Kellman, speaking for the American Guild of Authors and Composers).

[12] A vestige of the abandoned argument appears at page 6 of respondents' brief, where the Snyders inaccurately assert that Mills' receipt of royalties derived from the compulsory license provision. Mills gave licenses to the record companies (and received royalties) that were and had to be authorized by the grant it had received from Ted Snyder.

exist at all (Pet. App. 29a); thus, the supposed anomaly the Snyders portray is essentially no more than an improbable hypothetical. *See Recording Industry Association v. Copyright Royalty Tribunal*, 662 F.2d 1, 4 (D.C. Cir. 1981) ("the statutory procedures for invoking the [compulsory] license have rarely been used"); Rosenlund, *Compulsory Licensing of Musical Compositions for Phonorecords Under the Copyright Act of 1976*, 30 Hastings L.J. 683, 688 & n.33 (1979).

There is no sound ground in any case for discovering the inconsistency the Snyders hypothesize. All derivative works made prior to termination exist only "under the authority of the grant." A record company could not have made a derivative work through election of a compulsory license until the owner of the copyright had permitted distribution of at least one phonorecording to the public. 17 U.S.C. § 115(a); 1909 Act § 1(e). In the typical industry arrangement, which was present here, the publisher, not the composer, authorized the first recording and thereby triggered the compulsory license provisions. The chain of authorization that permitted any pre-termination recording under a compulsory license necessarily included as a key link the grant from the composer to the publisher. *See* Blaisdell, Study No. 6, at 93-95, 99-100. For all recording licenses, voluntary or compulsory, the publisher, Mills, shared equally in the royalties "under the terms of the grant." The Exception informs us that the old derivative works may continue to be "utilized" after termination only under those same terms. Nothing in the Exception or its legislative history indicates that Congress intended the Exception to be inapplicable to derivative works made under compulsory licenses.

In short, the imagined inconsistency affecting compulsory licenses is no more effective than any of respondents' other reasons for ignoring the plain meaning of the Exception for the typical case presented here.

CONCLUSION

The judgment of the Court of Appeals should be reversed.

Respectfully submitted,

MARVIN E. FRANKEL
(Counsel of Record)

MICHAEL S. OBERMAN
STEVEN E. GREENBAUM

KRAMER, LEVIN, NESSEN, KAMIN
& FRANKEL
919 Third Avenue
New York, New York 10022
(212) 715-9100

Attorneys for Petitioner
Mills Music, Inc.

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